YORKSHIRE BUILDING SOCIETY

PILLAR 3 DISCLOSURES

ANNUAL 2023

CONTENTS

INTRODUCTION

BACKGROUND

The European Union Capital Requirements Directive, which applies to banks and building societies, came into effect on 1 January 2007. This introduced consistent capital adequacy standards and an associated supervisory framework in the EU based on the Basel II accord and included disclosure requirements, known as 'Pillar 3', which are designed to promote market discipline through the disclosure of key information about risk exposures and risk management processes. Following publication of the Basel III accord, this was replaced by the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (together referred to as CRD IV), which came into force on 1 January 2014, and was superseded by PS22/21 on 1 January 2022.

PS22/21 'Implementation of Basel standards: Final rules' included revisions to the Pillar 3 disclosure framework to align to Basel international standards. The revised requirements seek to increase the efficiency of institutions' disclosures and reinforce market discipline and consistency. The implementation date in the UK was 1 January 2022 and subsequently this document includes those revisions which comprise revised:

- quantitative disclosures (templates) more aligned with Basel international standards and supervisory reporting; and
- qualitative disclosures enabling improved consistency across banks and building societies' disclosures.

BASIS AND FREQUENCY OF DISCLOSURE

The purpose of this disclosure is to provide information in line with Basel III capital requirements and on the management of risks faced by Yorkshire Building Society. The disclosures and basis of measurement are in accordance with the rules laid out in the UK PRA Rulebook (CRR) Annex K. The disclosures may differ from similar information in other published financial statements which are prepared in accordance with International Financial Reporting Standards ('IFRS'). Therefore, the information in these disclosures may not be directly comparable.

TEMPLATES NOT INCLUDED

The templates presented in this document are those which are required at Quarter 4 and those applicable to the Society based on thresholds set out in the guidance.

As per article 432a of the PRA rulebook, numerous templates have been omitted on grounds of materiality, including UK CR2, UK CR2a, UK CQ2, UK CQ4, UK CQ6 and UK CQ8. No templates have been omitted on the grounds of confidentiality or because they are deemed proprietary.

The Society does not have approval to use internal models in the calculation of market risk or counterparty credit risk. Consequently, templates UK MRB, UK MR2-A, UK MR2-B, UK MR3, UK MR4 and UK CCR7 are omitted. Whilst the Society is not IRB accredited, templates UK CRE, UK CCR4, UK CR6, UK CR6-A, UK CR7, UK CR7-A, UK CR8, UK CR9, UK CR9.1 are not presented.

The UK PV1 is not included, because the Society does not apply the core approach for the determination of the additional valuation adjustment for prudent valuation in accordance with Chapter III of the PRA Rulebook.

UK SEC3 has not been presented as, although the Society is an originator of numerous securitisations as part of its Brass and Tombac programmes, there is no significant risk transfer. The UK SEC2 template is not shown either, because the Society does not have a trading book. Likewise, the UK MR1 is excluded because of no trading book and because currency positions are taken solely to hedge against the adverse effect of exchange rate on ratios. The UK CR10 has not been presented because the Society does not engage in any specialised lending and the UK CCR6 is not disclosed because the Society does not use credit derivatives to mitigate credit risk. UK CQ7 has not been presented since the Society does not derecognise the financial assets on possessed properties and so does not bring the properties onto the balance sheet. Since the Society has no instruments held in any insurance undertaking, UK INS1 has been excluded; and UK INS2 is not presented as the Society is not considered to be a financial conglomerate.

LOCATION AND VERIFICATION

These disclosures have been reviewed by the Audit Committee (AC) and approved by the Society's Board and are published on 7 March 2024. These disclosures have not been, and are not required to be, subject to independent external audit, and do not constitute any part of the Society's Financial Statements; however, some of the information within the disclosures also appears in the Society's 2023 Financial Statements.

ATTESTATION BY BOARD MEMBER

I confirm that, to the best of my knowledge, the Society's Pillar 3 disclosures for the year ended 31 December 2023 comply with the Disclosure CRR Part of the PRA Rulebook and have been prepared in accordance with the associated internal control frameworks.

Alasdair Lenman

Chief Finance Officer

ANNEX I : KEY METRICS AND OVERVIEW OF RISK WEIGHTED EXPOSURE AMOUNTS

UK OV1 – Overview of risk weighted exposure amounts

		a	b	c
		Risk weighted exposure amounts (RWEAs)		**Total own funds requirements**
		31/12/2023	**30/09/2023**	**31/12/2023**
		£m	**£m**	**£m**
1	Credit risk (excluding CCR)	20,284.3	19,926.3	1,622.7
2	Of which the standardised approach	20,284.3	19,926.3	1,622.7
3	Of which the foundation IRB (FIRB) approach			
4	Of which slotting approach			
UK 4a	Of which equities under the simple riskweighted approach			
5	Of which the advanced IRB (AIRB) approach			
6	Counterparty credit risk – CCR	106.3	116.9	8.5
7	Of which the standardised approach	18.2	18.6	1.5
8	Of which internal model method (IMM)			
UK 8a	Of which exposures to a CCP	16.1	16.0	1.3
UK 8b	Of which credit valuation adjustment – CVA	49.4	54.7	3.9
9	Of which other CCR	22.6	27.7	1.8
15	Settlement risk	–	–	–
16	Securitisation exposures in the non-trading book (after the cap)	40.3	41.5	3.2
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)	40.3	41.5	3.2
19	Of which SEC-SA approach			
UK 19a	Of which 1250%/ deduction			
20	Position, foreign exchange and commodities risks (Market risk)	–	–	–
21	Of which the standardised approach	–	–	–
22	Of which IMA	–	–	–
UK 22a	Large exposures	–	–	–
23	Operational risk	1,325.2	919.8	106.0
UK 23a	Of which basic indicator approach	–	–	–
UK 23b	Of which standardised approach	1,325.2	919.8	106.0
UK 23c	Of which advanced measurement approach	–	–	–
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	0.0	0.1	–
29	**Total**	**21,756.0**	**21,004.6**	**1,740.5**

Where values are not required to be reported, owing to the size of YBS or other reasons, cells have been left blank.

UK KM1 – Key metrics template

		a	b	c	d	e
		31/12/2023	**30/09/2023**	**30/06/2023**	**31/03/2023**	**31/12/2022**
		£m	**£m**	**£m**	**£m**	**£m**
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	3,638.7	3,460.2	3,455.0	3,317.4	3,330.2
2	Tier 1 capital	3,638.7	3,460.2	3,455.0	3,317.4	3,330.2
3	Total capital	3,906.7	3,729.6	3,727.6	3,602.8	3,608.9
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	21,756.0	21,004.6	20,778.3	20,105.9	19,846.6
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	16.7%	16.5%	16.6%	16.5%	16.8%
6	Tier 1 ratio (%)	16.7%	16.5%	16.6%	16.5%	16.8%
7	Total capital ratio (%)	18.0%	17.8%	17.9%	17.9%	18.2%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
UK 7b	Additional AT1 SREP requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
UK 7c	Additional T2 SREP requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
UK 7d	Total SREP own funds requirements (%)	8.0%	8.0%	8.0%	8.0%	8.0%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
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%	0.0%	0.0%
9	Institution specific countercyclical capital buffer (%)	2.0%	2.0%	1.0%	1.0%	1.0%
UK 9a	Systemic risk buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
10	Global Systemically Important Institution buffer (%)					
UK 10a	Other Systemically Important Institution buffer	0.0%	0.0%	0.0%	0.0%	0.0%
11	Combined buffer requirement (%)	4.5%	4.5%	3.5%	3.5%	3.5%
UK 11a	Overall capital requirements (%)	12.5%	12.5%	11.5%	11.5%	11.5%
12	CET1 available after meeting the total SREP own funds requirements (%)	10.0%	9.7%	9.9%	9.9%	10.2%
	Leverage ratio					
13	Total exposure measure excluding claims on central banks	58,400.9	55,960.2	54,938.3	54,308.8	53,846.9
14	Leverage ratio excluding claims on central banks (%)	6.2%	6.2%	6.3%	6.1%	6.2%
	Additional leverage ratio disclosure requirements					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)					
14b	Leverage ratio including claims on central banks (%)					
14c	Average leverage ratio excluding claims on central banks (%)					
14d	Average leverage ratio including claims on central banks (%)					
14e	Countercyclical leverage ratio buffer (%)					

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UK KM1 – Key metrics template (continued)

		a	b	c	d	e
		31/12/2023	**30/09/2023**	**30/06/2023**	**31/03/2023**	**31/12/2022**
		£m	**£m**	**£m**	**£m**	**£m**
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value – average)	11,903.9	11,828.8	11,282.3	10,571.1	9,602.4
UK 16a	Cash outflows – Total weighted value	7,035.3	6,987.1	6,774.6	6,439.5	5,894.0
UK 16b	Cash inflows – Total weighted value	356.2	353.4	332.0	316.5	267.3
16	Total net cash outflows (adjusted value)	6,679.2	6,633.7	6,442.6	6,123.0	5,626.7
17	Liquidity coverage ratio (%)	178.3%	178.2%	174.9%	172.6%	171.6%
	Net Stable Funding Ratio					
18	Total available stable funding	54,601.8	53,964.9	53,225.6	52,148.9	50,884.5
19	Total required stable funding	36,946.2	36,778.3	36,661.1	36,265.8	36,012.5
20	NSFR ratio (%)	147.8%	146.70%	145.20%	143.80%	141.30%

Where values are not required to be reported, owing to the size of YBS or other reasons, cells have been left blank.
Where reporting is required but there is nothing to report, cells show zero.

IFRS 9 – Article 468 – Impact of IFRS 9 transitional arrangements and temporary treatment in accordance with CRR Article 468

The Society is permitted to apply transitional arrangements, which allows relief to capital ratios to reduce the impact of the implementation of IFRS 9, in accordance with CRR2 Article 473(a), which also extended the initial transition period (under EU 2017/2395) to December 2024.

Although the Society elected to apply this relief, as shown in the table below there has been no impact on its capital position. Publication of the details is still required, however.

		a	b	c	d	e
		31/12/2023	30/09/2023	30/06/2023	31/03/2023	31/12/2022
		£m	£m	£m	£m	£m
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	3,638.7	3,460.2	3,455.0	3,317.4	3,330.2
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,638.7	3,460.2	3,455.0	3,317.4	3,330.2
3	Tier 1 capital	3,638.7	3,460.2	3,455.0	3,317.4	3,330.2
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,638.7	3,460.2	3,455.0	3,317.4	3,330.2
5	Total capital	3,906.7	3,729.6	3,727.6	3,602.8	3,608.9
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,906.7	3,729.6	3,727.6	3,602.8	3,608.9
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	21,756.0	21,004.6	20,778.3	20,105.9	19,846.6
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21,756.0	21,004.6	20,778.3	20,105.9	19,846.6
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.7%	16.5%	16.6%	16.5%	16.8%
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	16.7%	16.5%	16.6%	16.5%	16.8%
11	Tier 1 (as a percentage of risk exposure amount)	16.7%	16.5%	16.6%	16.5%	16.8%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.7%	16.5%	16.6%	16.5%	16.8%
13	Total capital (as a percentage of risk exposure amount)	18.0%	17.8%	17.9%	17.9%	18.2%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.0%	17.8%	17.9%	17.9%	18.2%
	Leverage ratio					
15	Leverage ratio total exposure measure	58,400.9	55,960.2	54,938.3	54,308.8	53,846.9
16	Leverage ratio	6.2%	6.2%	6.3%	6.1%	6.2%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.2%	6.2%	6.3%	6.1%	6.2%

UK OVC – ICAAP information

(a) Approach to assessing the adequacy of the internal capital

The Society undertakes a review of its Internal Capital Adequacy Assessment Process (ICAAP) at least annually and produces a document to summarise the results of this review. This document informs the Board of the ongoing assessment of the risks faced by the Society, the steps in place to mitigate those risks, and the internal capital requirements of the Society now and in the future.

Within the ICAAP, the Society considers the key risks to which it is exposed, and the levels of capital and other financial resources that should be held to safeguard the interests of its members and depositors, particularly during times of stress.

The review process includes:

- Identification by senior managers of the relevant risk categories for the Society.
- Establishment, under the sponsorship of senior management, of separate work streams to consider each risk category in detail and to assess whether the ongoing management processes are adequate.
- Analysis of the risks within each work stream, involving relevant personnel from across the business, with this being documented as updated individual risk assessments.
- Consideration of whether capital is an appropriate mitigant to the risk. Where this is deemed to be the case, capital requirements are calculated based on the results of stress testing for each risk category. Where capital is not deemed appropriate to mitigate a particular risk, alternative management actions are identified and described within the risk assessment.
- Approval of individual risk assessment documents by the relevant sponsor.
- Calculation of an appropriate PRA Buffer to absorb a "severe but plausible" economic stress event over the Society's planning horizon, should such a scenario materialise; thereby ensuring minimum capital requirements are maintained.
- Documentation of the overall process and the review.
- The document is presented to Asset and Liability Committee (ALCO) and Executive Risk Committee (ERC) before being presented to Group Risk Committee (GRC) and the Board (with whom ultimate responsibility lies) for their information, and challenge or approval.

(b) The result of the institution's internal capital adequacy assessment process

The Society's Pillar 2A requirement was set to 0% throughout 2023.

With no Pillar 2A, as at 31 December 2023 the Society's Total Capital Requirement comprised a Pillar 1 requirement of 8% of RWAs, equating to £1,740.5m (2022: £1,587.7m) plus combined buffers of 4.5% of RWAs, equating to £977.9m (2022: £694.6m, 3.5% of RWAs). At least £1,958m (9% of RWAs) of this must be met with CET1 capital.

ANNEX III : RISK MANAGEMENT OBJECTIVES AND POLICIES

UK OVA – Institution risk management approach

(a) Risk statement approved by the management body

Risk is an inevitable part of business; it is inherent in everything we do. The role of management is to generate a positive return within the risk appetite set by the Board.

The Board sets a risk appetite consistent with achieving the Society's core principles of providing Real Help with Real Life. The board has policies and procedures in place to ensure the Society operates within this level of risk.

The Society manages risk through an Enterprise Risk Management Framework (ERMF).

Our Enterprise Risk Management Framework ('ERMF')

We recognise that for the business to grow and achieve its commercial aspirations, effective risk management is essential. Our ERMF enables robust yet efficient risk management, which plays an integral role in:

- Delivering our strategy within an appropriate culture
- Protecting against unplanned financial outcomes
- Being resilient to operational risks
- Protecting customers from unfair outcomes
- Demonstrating credibility to external stakeholders

The ERMF explains how a variety of processes fit together to create a consistent and effective way of managing risk across the Group. The key elements of risk management cover the identification, assessment, control, monitoring and reporting of risk. The Group Risk Committee (GRC), a sub-committee of the Board, reviews and approves this annually, and it consists of:

- **The Governance, Risk and Control (GR&C) strategy** – the Society's priorities for risk management and how they align to the Society's strategy.
- **Society culture** – the values and behaviours that shape our risk decisions.
- **Risk appetite** – how much risk we take in order to deliver our strategy while ensuring we provide fair customer outcomes and continue to operate as a safe and secure business.
- **Policy and governance** – how we organise ourselves, make decisions and take approved risks.
- **Risk assessment and control** – how we identify, assess and understand our risks and limit undesirable outcomes.
- **Risk events** – how we respond when things go wrong and stop the same things happening again.
- **Monitoring and assurance** – how we check that controls are working and highlight when risks require attention.

We operate a three lines of defence approach for managing risk, which seeks to differentiate between those:

- With direct responsibility for the management and control of risk.
- With responsibility for defining the ERMF, communicating requirements and independently monitoring adherence through oversight activity on behalf of the Board.
- Providing an independent and objective opinion to the Board on the adequacy and functioning of the system of internal control.

A summary of these respective responsibilities is set out below:

First Line of Defence

The first line of defence consists of all colleagues who are responsible for ensuring that risk is managed effectively. Many colleagues also have additional responsibilities to:

- Act as owners of the risks relevant to their business function.
- Identify and articulate the risks they are responsible for and put them into a risk register.
- Assess risks and controls and determine if further actions are required.
- Design and operate applicable key controls and develop and operate supplementary controls as necessary.
- Direct policy, which sets out what colleagues can and cannot do.

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Second Line of Defence

The second line is fulfilled by our Risk division, which defines our approach toward risk management and supports, coaches, facilitates, independently monitors, challenges, assesses compliance, reports and if necessary gives direct instruction to the first line.

This independent second line risk management function is responsible for ensuring that appropriate risk management and measurement techniques are used that are commensurate with the Group's strategic aims, its appetite for risk, and the risks it faces at any time. The Risk Division ensures that the GRC receives a comprehensive programme of decision papers and reviews to ensure that it is fully sighted on such matters.

The Chief Risk Officer provides a formal update to the Board and to the GRC, via the Executive Risk Committee (ERC) on a quarterly basis, covering all areas of risk management. This includes routine reporting, emerging risks, the results of the Risk division's independent oversight and additional issues that merit escalation. The Risk division is responsible for managing our regulatory relationships and for providing independent briefings and insights to the Board.

Third Line of Defence

The third line is fulfilled through the Internal Audit function. It independently assesses whether risks are adequately controlled, challenging the Executive Team to improve the effectiveness of governance, risk management, and internal controls. Internal Audit reports directly to the Audit Committee which is a Board committee.

(b) Information on the risk governance structure for each type of risk

The principal risks and uncertainties continue to evolve. The key areas of focus during 2023 were the political and economic environment; attracting and retaining the right people; the regulatory environment, including preparation for the new Consumer Duty regulations; financial crime threats; information security threats; IT resilience; and overseeing an independent external review of our 'Governance, Risk and Control' capabilities. In addition, climate risk is assuming greater significance and has been embedded across all aspects of the Society's risk awareness and management processes.

Risk	Description	Risk Committee[1]
Strategic risk	The risk to the Society's earnings or sustainability which arises from changes in the business environment (Political, Economic, Social and Technological), or from the effectiveness of decisions and actions relating to our strategic response to those changes.	Group Risk Committee (GRC)
Retail and commercial credit risk	The risk to the Group of credit losses as a result of failure to design, implement and monitor an appropriate credit risk appetite.	Retail and Commercial Credit Risk Committee (RCCRC)
Treasury risk	The risk of losses following default on exposures arising from balances with other financial institutions, liquid asset holdings and from derivative instruments used to manage interest rate and foreign exchange risk.	Asset and Liability Committee (ALCO)
Funding and liquidity risk	The risk of the Group having inadequate cash flow to meet current or future requirements and expectations.	Asset and Liability Committee (ALCO)
Market risk	The risk to the Group's earnings or the value of its assets and liabilities due to changes in external market rates.	Asset and Liability Committee (ALCO)
Capital risk	The risk that the Group is not able to meet regulatory capital requirements or deliver on its strategic plans due to insufficient capital resources.	Asset and Liability Committee (ALCO)
Model risk	The risk that the Group's models used to manage the business are inaccurate, perform inadequately or are incorrectly used.	Model Risk Committee (MRC)
Operational risk	The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes cyber, people and third-party risk.	Executive Risk Committee (ERC)
Compliance and conduct risk	The risk of direct or indirect loss as a result of a failure to comply with regulations (such as money laundering) or to ensure fair customer outcomes. Compliance and conduct risk includes financial crime risk.	Customer Services Divisional Risk Committee; and, Executive Risk Committee (ERC)

[1] Whilst individual risks are managed at management committees, the GRC provides oversight across all risks across the Society.

(c) Declaration approved by the management body on the adequacy of the risk management arrangements

The Board monitors the Society's risk management and internal control systems, the operation of which are delegated to the GRC, and carries out an annual review of their effectiveness. Following this year's review, it was concluded that the Society has robust systems and frameworks in place for the monitoring of risks. Liquidity and capital positions are sufficient and above regulatory requirements; the year has demonstrated the importance of a three lines of defence perspective in overseeing that.

(d) The scope and nature of risk disclosure and/or measurement systems

The Society continues to invest in this area to ensure that its key controls are appropriately maintained.

Good progress has been made during 2023, with the continued embedding of our risk management framework across the business. This is evidenced by our ability to continue to adapt and respond to rapid change in our operating environment and ongoing support in the delivery of our strategy.

We have defined our 'Governance, Risk and Control' strategy, which sets out the role that risk management plays to deliver the Society's strategy and, in turn, long-term sustainability for the benefit of our customers and colleagues.

The Society always wishes to proactively ensure that risk management capability is equal to or ahead of that which is necessary. For this reason, following an external review, the Group plans to strengthen its 'Governance, Risk and Control' capabilities further in anticipation of future growth and the possibility of being designated a category one firm by the PRA. These plans include ensuring the right level of subject matter expertise in key areas; leveraging the latest technology and data to deliver automation and efficiencies; and further encouraging challenge and learning.

(e) The main features of risk disclosure and measurement systems

The ERMF is the key component for the control and monitoring of the Society's risks. This is embedded across all areas of the Society. The effectiveness of this framework, both in terms of its design and execution, is regularly assessed by the GRC, having regard to its continuing ability to address the evolving risk environment in which the Society operates.

Stress testing and scenario analysis are used to anticipate future risk exposure. In addition, regular reporting by the first and second lines of defence provide the GRC with information regarding areas of concern, such that timely and robust action can be taken.

(f) Strategies and processes to manage risks for each separate category of risk

A description of the principal risks and uncertainties to which we are exposed is included in the table in section (g) below, and further commentary on how these risks have evolved is included after the table. We have performed stress tests to assess the impact of a range of risk scenarios. It is our assessment that, while they each bring their own individual challenges, we are well placed to manage them.

We continue to invest in our risk management capability to ensure that emerging and evolving risks are closely monitored.

We also ensure timely and appropriate action is taken to protect the interests of the Society, its controlled entities (the Group) and its customers. Significant emerging risks are regularly reviewed through the senior risk committees and are considered as part of our planning process.

We have a robust risk management framework, strong capital position, diverse funding sources, and high liquidity levels; and we remain confident in the financial resilience, operational resilience, and sustainability of the Group.

(g) Strategies and processes to manage, hedge and mitigate risks, and monitor the effectiveness thereof

The Board has ultimate responsibility for establishing strategies and processes for the management of risk. It delegates much of the responsibility for implementation and monitoring to the GRC, whilst retaining oversight. The strategies are embedded into the operation of the functional areas of the business and are summarised below.

Risk	Description	Principal mitigation
Strategic risk	The risk to the Society's earnings or sustainability which arises from changes in the business environment (Political, Economic, Social and Technological), or from the effectiveness of decisions and actions relating to our strategic response to those changes.	We mitigate risks relating to the business environment and our strategic choices through horizon scanning, corporate planning, scenario analysis and stress testing, and ongoing monitoring and reporting activity.
Retail and commercial credit risk	The risk to the Group of credit losses as a result of failure to design, implement and monitor an appropriate credit risk appetite.	We set a stress-tested risk appetite for retail and commercial lending activities which manages exposure to higher risk lending areas, and monitors adherence to this.
Treasury risk	The risk of losses following default on exposures arising from balances with other financial institutions, liquid asset holdings and from derivative instruments used to manage interest rate and foreign exchange risk.	We set a stress-tested risk appetite for treasury risk and monitor adherence to this. We adopt a low-risk approach to our treasury activities, investing most of its liquidity in the highest quality assets.
Funding and liquidity risk	The risk of the Group having inadequate cash flow to meet current or future requirements and expectations.	We set a stress-tested risk appetite and monitor our positions against this. We operate a diversified funding base, primarily through retail savings, supported by a strong wholesale funding franchise.
Market risk	The risk to the Group's earnings or the value of its assets and liabilities due to changes in external market rates.	We adopt a low-risk approach to market risk, and stress test all positions against a range of scenarios.
Capital risk	The risk that the Group is not able to meet regulatory capital requirements or deliver on its strategic plans due to insufficient capital resources.	We maintain a stress-tested capital risk appetite and regularly stress test its positions against severe scenarios.
Model risk	The risk that the Group's models used to manage the business are inaccurate, perform inadequately or are incorrectly used.	We operate a Model Risk Management Maturity framework which includes monitoring of model suitability and performance within agreed risk appetite.
Operational risk	The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes cyber, people and third-party risk.	We operate an internal control framework in line with the Board risk appetite and monitor adherence through our three lines of defence model.
Compliance and conduct risk	The risk of direct or indirect loss as a result of a failure to comply with regulations (such as money laundering) or to ensure good customer outcomes. Compliance and conduct risk includes financial crime risk.	We operate an internal control framework in line with the Board risk appetite and monitor adherence through our three lines of defence model.

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UK OVB – Disclosure on governance arrangements

(a) The number of directorships held by members of the management body

The number of directorships held by Executive and Non-Executive Directors are shown below.

Name	Appointments	Type of Directorship	Article 91(3) and (4) of Directive (EU) 2013/36 1 (CRD)	Total Directorships
John Heaps	Yorkshire Building Society	Chair of the Board	1 Non-Executive	1
Annemarie Durbin	Yorkshire Building Society	Chair of the Board Designate	3 Non-Executive	3
	Persimmon Plc	Non-Executive Director		
	Petershill Partners plc	Non-Executive Director		
Guy Bainbridge	Yorkshire Building Society	Non-Executive Director	3 Non-Executive	4
	ICE Clear Europe Limited	Non-Executive Director		
	Manulife Financial Corporation	Non-Executive Director		
	The Manufacturers Life Insurance Company	Non-Executive Director		
Angela Darlington	Yorkshire Building Society	Non-Executive Director	2 Non-Executive	3
	Rothesay Life Plc	Non-Executive Director		
	Rothesay Limited	Non-Executive Director		
Debra Davies	Yorkshire Building Society	Non-Executive Director	3 Non-Executive	5
	AXA UK Plc	Non-Executive Director		
	AXA PPP Healthcare Limited	Non-Executive Director		
	AXA Insurance UK Plc	Non-Executive Director		
	Intruim AB (Sweden)	Non-Executive Director		
Alison Hutchinson	Yorkshire Building Society	Non-Executive Director	3 Non-Executive	4
	Your Penny Limited (Dormant)	Executive Director		
	DFS Furniture plc	Non-Executive Director		
	Foresight Group Holdings Limited (registered in Guernsey)	Non-Executive Director		
Dina Matta	Yorkshire Building Society	Non-Executive Director	2 Non-Executive	2
	FatFractal Inc	Non-Executive Director		
Mark Parsons	Yorkshire Building Society	Non-Executive Director	2 Non-Executive	3
	Fairstone Capital Group Limited (Registered in Jersey)	Non-Executive Director		
	Fairstone Private Wealth Limited	Non-Executive Director		
Jennelle Tilling	Yorkshire Building Society	Non-Executive Director	3 Non-Executive	5
	Marketing with Insight Limited	Executive Director		
	Camelot UK Lotteries Limited	Non-Executive Director		
	Shaftesbury Capital Plc	Non-Executive Director		
	Guide Dogs for the Blind Association (The)	Trustee		
Susan Allen	Yorkshire Building Society	Executive Director	1 Executive	2
	Alzheimer's Society	Trustee		
Alasdair Lenman	Yorkshire Building Society	Executive Director	1 Executive	2
	YBS Pension Trustees Limited	Executive Director		
	Arkose Funding Limited	Executive Director		
David Morris	Yorkshire Building Society	Executive Director	1 Executive	5
	Accord Mortgages Limited	Executive Director		
	BCS Loans & Mortgages Limited	Executive Director		
	Chelsea Mortgage Services Limited	Executive Director		
	Norwich and Peterborough Insurance Brokers Limited	Executive Director		

(b) The management body: recruitment policy, knowledge, skills and expertise

The Board is committed to ensuring it has the right composition both now and in the future, to support the delivery of our strategy and ensure the long-term success of the Society. The Board Governance and Nominations Committee supports the Board by ensuring that it keeps under review the structure, size and composition of the Board and its Committees and ensures that effective succession plans are maintained to manage periods of transition on the Board.

The Committee carries out a detailed review of succession planning for Directors at its annual strategy session in March each year and keeps the plan under review at each subsequent meeting during the year. It also plans ahead for future recruitment of Non-Executive Directors to make sure that the Board continues to have the skills and experience it needs to oversee the delivery of the strategy for the long-term success of the Society.

The Board Governance and Nominations Committee has access to a range of information to support succession planning including:

Board Skills Matrix and Skills Map	Based on an annual self-evaluation by our directors of their skills and experience. In 2023 the Committee undertook a detailed review of the approach to the Skills Matrix to ensure it remained fit for purpose and supported the Committee in its succession planning and future recruitment exercises. Taking into account the Board's current and future requirements to deliver the Society's strategy, together with external feedback, a revised Skills Matrix approach was agreed by the Committee and completed by all Non-Executive and Executive Directors in Quarter 4 2023.
Non-Executive Director Succession Timeline	Setting out appointment dates, terms of office and expected retirement dates including key roles such as the Board and Committee Chairs.
Board Committee Membership and Key Non-Executive Director Roles	Setting out current Board Committee membership, composition and any future requirements, together with other key roles held by Non-Executive Directors, such as the Non-Executive Director for Workforce Engagement.
Board Diversity Statement and Information	Setting out our Board's commitments to inclusion and diversity and understanding the composition of our Board.

The Board Governance and Nominations Committee leads the recruitment of new Non-Executive and Executive Directors on behalf of the Board, based on a thorough and inclusive process:

Succession Planning	The Committee maintains oversight of the Board's succession plans including planning for future recruitment exercises (taking into account expected terms of office for Non-Executive Directors).
Role Requirements	A role specification, including the key skills and experience required, is agreed taking into account succession plans and the Board Skills Matrix as appropriate.
External Search Agency	An external search agency is appointed to support the process using our Preferred Recruitment Supplier List. Our Preferred Recruitment Supplier List ensures that there is clarity in terms of the standard of service to be provided by the supplier and the requirements and expectations of the Society. The purpose of the list is to ensure that the Committee has access to a range of search firms to provide the widest possible pool of diverse potential candidates. All the search firms are expected to adhere to the Board's Diversity Statement and ensure it is part of their search process.
Shortlisting	A shortlist is developed and agreed based on objective criteria, with due regard to the benefits of diversity on the Board, and the skills and experience candidates could bring to the role.
Interviewing	A structured interview process is undertaken including Panel interviews and subsequent interview sessions with other key Board stakeholders.
Appointment	Following a robust process, a preferred candidate is identified and the Board Governance and Nominations Committee will make a recommendation to the Board to appoint (subject to regulatory approval in relation to roles under the Senior Managers and Certification Regime).

(c) Diversity policy relating to the management body

We place great importance on having an inclusive and diverse Board and workforce generally. Our Board has agreed a Diversity Statement to support this ambition, which is reviewed by the Board Governance and Nominations Committee and approved by the Board each year. A summary of progress against the key aspects of the Statement in 2023 is set out below:

Use of specialist recruitment agencies that have signed up to the Standard Voluntary Code of Conduct of Executive Search firms for the appointment of Directors, with a preference for those signed up to the Enhanced Code	Russell Reynolds Associates were appointed to support the search for a permanent Chair of Remuneration Committee and a new Chair of the Board and are signed up to the Enhanced Voluntary Code of Conduct for Executive Search Firms.
At least 40% of Board Directors will be women	The percentage of women on the Board as at 31 December 2023 was 58% and exceeded the target.
Further increase Board diversity in order to enhance effectiveness and embrace the talents of people from all backgrounds	Our Board places great emphasis on ensuring its membership reflects diversity in its broadest sense. Consideration is given to demographics, skills, experience, race, age, gender, disability, educational and professional background, and other relevant personal attributes. In ensuring an appropriate balance of all these factors the Board can provide the range of perspectives, insights and challenge needed to support good decision making. The Committee regularly reviews the composition of the Board to ensure that it has the balance of skills, experience, independence and knowledge through its diverse composition to remain effective.

The Board Governance and Nominations Committee also oversees senior leadership succession plans and the diversity of the talent pool for future vacancies.

We have signed the HM Treasury's Women in Finance Charter and are committed to improving gender balance, particularly at senior levels in our organisation. By way of further information, we had the following percentages of women colleagues at 31 December 2023 (and for comparison 2022):

Name	31 December 2023	31 December 2022
Executive Committee The Leadership Team immediately below our Board (as set out in the UK Corporate Governance Code)	42.9%	33%
Senior Managers Our colleagues in roles Grade E or above (in accordance with our commitments under the Women in Finance Charter)	49.2%	50%
All Colleagues	61.1%	63%

(d) Existence of separate risk committee and frequency of meetings

The Board delegates certain matters to Committees, to assist them in delivering against their responsibilities in key areas, bringing a greater focus and making recommendations on those areas assigned to them. The Group Risk Committee (GRC) oversees the Group's risk management framework and assists the Board by providing an enterprise-wide perspective on all risk matters. It usually meets four times a year but will meet more frequently when the need arises.

The GRC met four times in 2023 and considered all the matters relating to its responsibilities, as summarised in its terms of reference. A wide range of topics were considered throughout the year, including:

- Approved the Group's enterprise risk management framework.
- Reviewed and recommended the Board approve the 'tier 1' risk appetite exposure limits for 2024 and oversaw compliance with those agreed previously for 2023.
- Received the Chief Risk Officer's quarterly report and view of the Group's principal risks.
- Approved and monitored the progress of the second line of defence's oversight plan including its key findings.
- Reviewed and recommended the Board approve the scenarios and results of the 2023 internal liquidity adequacy assessment (ILAAP) and internal capital adequacy assessment processes (ICAAP).
- Reviewed the scenarios used for the Group's reverse stress tests.
- Reviewed and approved the Group's recovery plan.
- Monitored the Group's compliance with the resolvability assessment framework.
- Reviewed reports from 'deep dives' of the Group's management of credit risk and capital risk.
- Reviewed the report from a 'deep dive' of the Group's commercial lending business.

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- Reviewed and recommended the Board approve the Group's annual operational resilience self-assessment, and monitored progress of the work to comply with the operational resilience rules.
- Reviewed the annual report from the Group's Money Laundering Reporting Officer.
- Monitored progress of the Group's work to strengthen its control framework over people risk, financial crime risk and climate risk.
- Reviewed the report from a 'deep dive' of the effectiveness of the Group's operational controls.

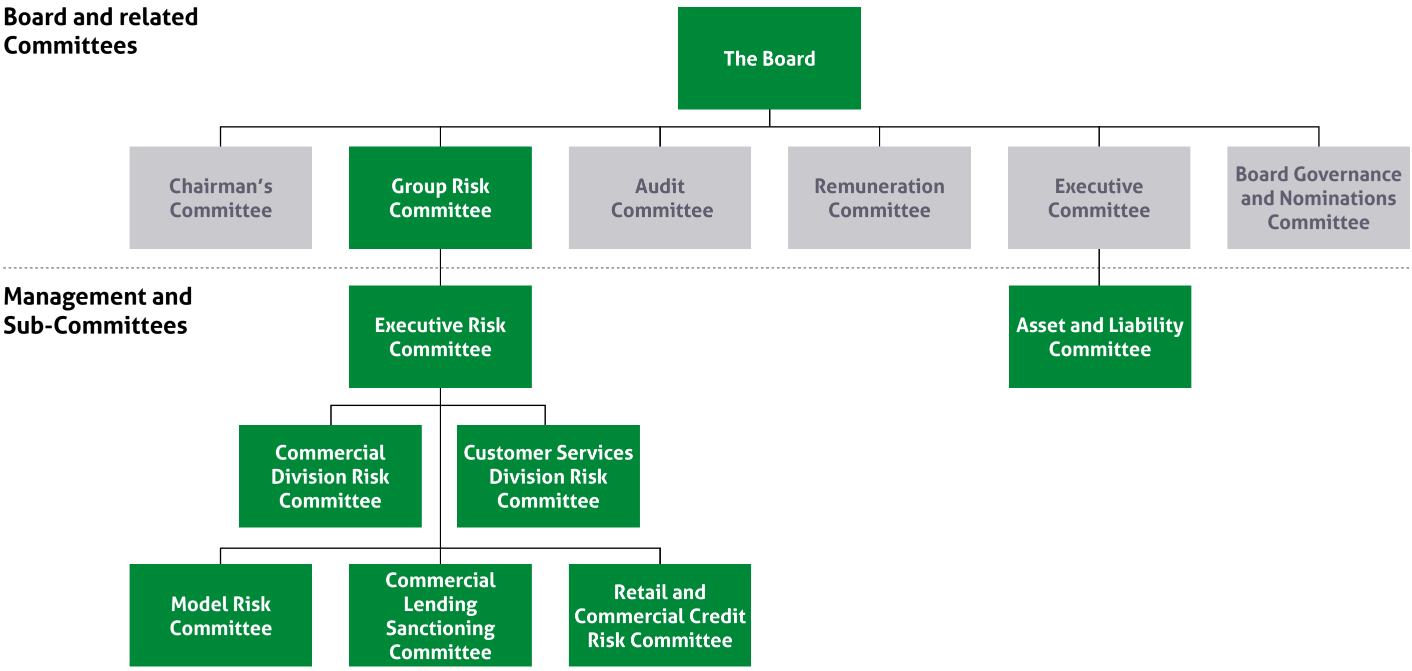
More detail can be found in the Society's Annual Report and Accounts for the year ending 31 December 2023.

(e) The flow of risk information to the management body

The Board is ultimately responsible for the effective management of risk. The approval of risk appetite and certain risk management policies are amongst a number of specific areas which are matters reserved for the Board. The GRC is a Board Committee that oversees, on behalf of the Board, the key risks inherent in the business and the system of internal control necessary to manage such risks, presenting its findings to the Board.

At its regular meetings, the GRC considers the Chief Risk Officer's report. This draws attention to the principal and emerging risk facing the Society. When considered appropriate, certain members of the Leadership Team are invited to attend, where their specialist knowledge will assist the Committee in discharging its duties. Following each meeting, the Chair of the GRC provides regular updates to the Board on matters considered by the Committee.

The Group's Board and senior management committee structure is illustrated below, with the committees most directly involved with risk management governance highlighted. This gives a clear representation of the flow of risk information through the Society to the Board.



ANNEX V : SCOPE OF APPLICATION

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

		a	b	c	d	e	f	g
		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
				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
	Breakdown by asset class according to the balance sheet in the published financial statements							
1	Cash and balances with the Bank of England	4,839.1	4,839.1	4,839.1	–	–	–	–
2	Loans and advances to credit institutions	397.4	397.4	397.4	–	–	–	–
3	Debt securities	7,561.9	7,561.9	7,159.1	–	402.8	–	–
4	Loans and advances to customers	46,815.9	46,815.9	46,815.9	–	–	–	–
5	Fair value adjustment for hedged risk on loans and advances to customers	(615.5)	(615.5)	(615.5)	–	–	–	–
6	Derivative financial instruments	1,755.0	1,755.0	–	1,755.0	–	–	–
7	Investments	3.3	3.3	3.3	–	–	–	–
8	Intangible assets	18.3	18.3	18.3	–	–	–	–
9	Investment properties	15.7	15.7	15.7	–	–	–	–
10	Property held for sale	0.6	0.6	0.6	–	–	–	–
11	Property, plant and equipment	99.5	99.5	99.5	–	–	–	–
12	Current tax assets	3.7	3.7	3.7	–	–	–	–
13	Deferred tax assets	–	–	–	–	–	–	–
14	Retirement benefit surplus	38.6	38.6	38.6	–	–	–	–
15	Other assets	35.2	35.2	35.2	–	–	–	–
16	**Total assets**	**60,968.7**	**60,968.7**	**58,810.9**	**1,755.0**	**402.8**	**–**	**–**

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

		a	b	c	d	e	f	g
		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
				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
	Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Shares	47,056.7	47,056.7	–	–	–	–	47,056.7
2	Amounts owed to credit institutions	1,886.3	1,886.3	–	–	–	–	1,886.3
3	Other deposits	983.6	983.6	–	–	–	–	983.6
4	Debt securities in issue	4,919.4	4,919.4	–	–	–	–	4,919.4
5	Derivative financial instruments	697.4	697.4	–	697.4	–	–	–
6	Current tax liabilities	–	–	–	–	–	–	–
7	Deferred tax liabilities	22.5	22.5	–	–	–	–	22.5
8	Other liabilities	70.5	70.5	–	–	–	–	70.5
9	Pension liability	8.1	8.1	–	–	–	–	8.1
10	Provisions	4.0	4.0	–	–	–	–	4.0
11	Subordinated liabilities	1,621.7	1,621.7	–	–	–	–	1,621.7
12	**Total liabilities**	**57,270.2**	**57,270.2**	**–**	**697.4**	**–**	**–**	**56,572.8**

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

		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)**	**60,968.7**	**58,810.9**	**402.8**	**1,755.0**	**–**
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	697.4	–	–	697.4	–
3	**Total net amount under the regulatory scope of consolidation**	**60,271.3**	**58,810.9**	**402.8**	**1,057.6**	**–**
4	Off-balance-sheet amounts	2,902.6	2,902.6	–	–	
5	Differences in valuations	–	–	–	–	
6	Differences due to different netting rules, other than those already included in row 2	–	–	–	–	
7	Differences due to consideration of provisions	–	–	–	–	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(9,435.3)	(9,435.3)	–	–	
9	Differences due to credit conversion factors	(2,349.1)	(2,349.1)	–	–	
10	Differences due to Securitisation with risk transfer	–	–	–	–	
11	Other differences	11,674.0	9,675.4	–	1,998.6	
12	**Exposure amounts considered for regulatory purposes**	**63,063.5**	**59,604.5**	**402.8**	**3,056.2**	**–**

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

a	b	c	d	e	f	g	h
Name of the entity	**Method of accounting consolidation**	**Method of regulatory consolidation**					**Description of the entity**
		Full consolidation	**Proportional consolidation**	**Equity method**	**Neither consolidated nor deducted**	**Deducted**	
Accord Mortgages Limited	Full consolidation	X					Mortgage lending
BCS Loans & Mortgages Limited	Full consolidation	X					Small and Dormant
Brass No.5 Mortgage Holdings Limited*	Full consolidation	X					Holding Co. for SPV
Brass No.5 PLC*	Full consolidation	X					SPV
Brass No.6 Mortgage Holdings Limited*	Full consolidation	X					Holding Co. for SPV
Brass No.6 PLC*	Full consolidation	X					SPV
Brass No.7 Mortgage Holdings Limited*	Full consolidation	X					Holding Co. for SPV
Brass No.7 PLC*	Full consolidation	X					SPV
Brass No.8 Mortgage Holdings Limited	Full consolidation	X					Holding Co. for SPV
Brass No.8 PLC	Full consolidation	X					SPV
Brass No.9 Mortgage Holdings Limited	Full consolidation	X					Holding Co. for SPV
Brass No.9 PLC	Full consolidation	X					SPV
Brass No.10 Mortgage Holdings Limited	Full consolidation	X					Holding Co. for SPV
Brass No.10 PLC	Full consolidation	X					SPV
Brass No.11 Mortgage Holdings Limited	Full consolidation	X					Holding Co. for SPV
Brass No.11 PLC	Full consolidation	X					SPV
Chelsea Mortgage Services Limited	Full consolidation	X					Small and Dormant
Norwich and Peterborough (LBS) Limited	Full consolidation	X					Mortgage finance
Norwich and Peterborough Insurance Brokers Limited	Full consolidation	X					Non-trading
Tombac No.2 Mortgage Holdings Limited*	Full consolidation	X					Holding Co. for SPV
Tombac No.2 PLC*	Full consolidation	X					SPV
Tombac No.3 Mortgage Holdings Limited	Full consolidation	X					Holding Co. for SPV
Tombac No.3 PLC	Full consolidation	X					SPV
YBS Covered Bonds Finance (Holdings) Limited	Full consolidation	X					Holding Co. for SPV
YBS Covered Bonds Finance Limited	Full consolidation	X					Liquidation vehicle for SPV
YBS Group Limited	Full consolidation	X					Small and Dormant
YBS Limited	Full consolidation	X					Small and Dormant
YBS Pension Trustees Limited	Full consolidation	X					Small and Dormant
Yorkshire Building Society	Full consolidation	X					Credit Institution
Yorkshire Building Society Covered Bonds LLP	Full consolidation	X					SPV
Yorkshire Direct Limited	Full consolidation	X					Small and Dormant
Yorkshire Group Limited	Full consolidation	X					Small and Dormant
Yorkshire Insurance Services Limited	Full consolidation	X					Small and Dormant
Yorkshire Key Services Limited	Full consolidation				X		Small and Dormant
Yorkshire Life Assurance Services Limited	Full consolidation	X					Small and Dormant
Yorkshire Mortgage Services Limited	Full consolidation	X					Small and Dormant
Yorkshire Personal Financial Services Limited	Full consolidation	X					Small and Dormant
Yorkshire Property Services Limited	Full consolidation	X					Small and Dormant
Yorkshire Services Limited	Full consolidation				X		Small and Dormant

* in liquidation

** incorporated during the year

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

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

There are no differences reported between the columns (a) and (b) due to no entities being derecognised from the accounting balance sheet for regulatory purposes.

(b) Main sources of differences between accounting and regulatory scope of consolidation in template UK LI2

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

- Off-balance sheet amounts have been included in line with CRR article 111, as shown in row 4 of UK LI2, utilising applicable credit conversion factors, which are shown in row 9;
- Differences due to the application of Credit Risk Mitigation techniques are shown in row 8;
- Other differences, shown in row 11, relate primarily to regulatory add-ons to carrying values, in line with the UK CRR.

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

With the exception of the Group's Securitisation vehicles (including the Group's Covered Bond vehicles), whose assets and liabilities are not immediately available to other Group members, there are no known or anticipated material impediments, either legal or practical, to the transfer of own funds or repayment of liabilities within the Group.

(b) Subsidiaries not included in the consolidation with own funds less than required

Two small dormant companies (Yorkshire Key Services Limited and Yorkshire Services Ltd) fall outside the regulatory scope of consolidation, as shown in UK LI3. Neither of these have any requirement for own funds.

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

The Society applied for, and was granted, permission to use the Individual Consolidation Method in accordance with Article 9 (CRR), in respect of:

(1) Norwich and Peterborough (LBS) Limited

(2) Accord Mortgages Limited

(d) Amount by which actual own funds are less than required in all subsidiaries not included in consolidation

Not applicable.

ANNEX VII : OWN FUNDS

UK CC1 – Composition of regulatory own funds

		(a)	(b)
		Amounts	**Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation**
		£m	
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	–	
	of which: Instrument type 1		
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	3,379.2	
3	Accumulated other comprehensive income (and other reserves)	(17.9)	
UK-3a	Funds for general banking risk	–	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	–	
5	Minority interests (amount allowed in consolidated CET1)	–	
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	331.7	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**3,693.0**	(d)
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	(7.7)	
8	Intangible assets (net of related tax liability) (negative amount)	(18.4)	(a)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	–	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(0.4)	
12	Negative amounts resulting from the calculation of expected loss amounts	–	
13	Any increase in equity that results from securitised assets (negative amount)	–	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–	
15	Defined-benefit pension fund assets (negative amount)	(27.8)	(b)
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	–	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–	
UK-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	–	
UK-20b	of which: qualifying holdings outside the financial sector (negative amount)	–	
UK-20c	of which: securitisation positions (negative amount)	–	
UK-20d	of which: free deliveries (negative amount)	–	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	–	

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UK CC1 – Composition of regulatory own funds (continued)

		(a)	(b)
		Amounts	**Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation**
		£m	
22	Amount exceeding the 17.65% threshold (negative amount)	–	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	–	
25	of which: deferred tax assets arising from temporary differences	–	
UK-25a	Losses for the current financial year (negative amount)	–	
UK-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	–	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	–	
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	–	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(54.3)**	
29	**Common Equity Tier 1 (CET1) capital**	**3,638.7**	
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	–	
31	of which: classified as equity under applicable accounting standards	–	
32	of which: classified as liabilities under applicable accounting standards	–	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	–	
UK-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
UK-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	–	
35	of which: instruments issued by subsidiaries subject to phase out	–	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	–	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	–	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	–	
42a	Other regulatory adjustments to AT1 capital	–	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–**	
44	**Additional Tier 1 (AT1) capital**	**–**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**3,638.7**	

UK CC1 – Composition of regulatory own funds (continued)

		(a)	(b)
		Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
		£m	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	267.9	(c)
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	–	
UK-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2		
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	–	
49	of which: instruments issued by subsidiaries subject to phase out	–	
50	Credit risk adjustments	–	
51	**Tier 2 (T2) capital before regulatory adjustments**	**267.9**	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–	
UK-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	–	
UK-56b	Other regulatory adjustments to T2 capital	–	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–**	
58	**Tier 2 (T2) capital**	**267.9**	
59	**Total capital (TC = T1 + T2)**	**3,906.7**	
60	**Total Risk exposure amount**	**21,756.0**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.7%	
62	Tier 1 (as a percentage of total risk exposure amount)	16.7%	
63	Total capital (as a percentage of total risk exposure amount)	18.0%	
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)	9.0%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical buffer requirement	2.0%	
67	of which: systemic risk buffer requirement	0.0%	
UK-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0%	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	**10.0%**	

UK CC1 – Composition of regulatory own funds (continued)

		(a)	(b)
		Amounts	**Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation**
		£m	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	–	
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)	–	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	–	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	–	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	–	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		

(b) Defined-benefit pension asset equals the retirement benefit assets on the balance sheet net of associated deferred tax liabilities

(c) Includes subordinated notes eligible as Tier 2 capital

All capital ratios are calculated in a manner consistent with the basis laid down in CRR.

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

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
		£m	£m	
	Assets – Breakdown by asset class according to the balance sheet in the published financial statements			
1	Cash and balances with the Bank of England	4,839.1	4,839.1	
2	Loans and advances to credit institutions	397.4	397.4	
3	Debt securities	7,561.9	7,561.9	
4	Loans and advances to customers	46,815.9	46,815.9	
5	Fair value adjustment for hedged risk on loans and advances to customers	(615.5)	(615.5)	
6	Derivative financial instruments	1,755.0	1,755.0	
7	Investments	3.3	3.3	
8	Intangible assets	18.3	18.3	(a)
9	Investment properties	15.7	15.7	
10	Property held for sale	0.6	0.6	
11	Property, plant and equipment	99.5	99.5	
12	Current tax assets	3.7	3.7	
13	Deferred tax assets	–	–	
14	Retirement benefit surplus	38.6	38.6	(b)
15	Other assets	35.2	35.2	
16	**Total assets**	**60,968.7**	**60,968.7**	
	Liabilities – Breakdown by liability class according to the balance sheet in the published financial statements			
1	Shares	47,056.7	47,056.7	
2	Amounts owed to credit institutions	1,886.3	1,886.3	
3	Other deposits	983.6	983.6	
4	Debt securities in issue	4,919.4	4,919.4	
5	Derivative financial instruments	697.4	697.4	
6	Current tax liabilities	–	–	
7	Deferred tax liabilities	22.5	22.5	(b)
8	Other liabilities	70.5	70.5	
9	Pension liability	8.1	8.1	
10	Provisions	4.0	4.0	
11	Subordinated liabilities	1,621.7	1,621.7	(c)
12	**Total liabilities**	**57,270.2**	**57,270.2**	
	Shareholders' Equity			
1	Member's interest and equity	3,698.5	3,693.0	
2	**Total shareholders' equity**	**3,698.5**	**3,693.0**	(d)

UK CCA – Main features of regulatory own funds instruments and eligible liabilities instruments – Tier 2

		Qualitative or quantitative information – Free format	Qualitative or quantitative information – Free format	Qualitative or quantitative information – Free format
1	Issuer	Yorkshire Building Society (WXDOEHQRPI7HKN3I5T57)	Yorkshire Building Society (WXDOEHQRPI7HKN3I5T57)	Yorkshire Building Society (WXDOEHQRPI7HKN3I5T57)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1681849300	XS0096893465	XS0498549194
2a	Public or private placement	Public	Public	Public
3	Governing law(s) of the instrument	English	English	English
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes	Yes
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2	Convertible Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Convertible Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	solo&(sub-)consolidated	solo&(sub-)consolidated	solo&(sub-)consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2	Tier 2	Convertible Tier 2
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	£278.3m	£0.4m	£26.3m
8a	Amount recognised in regulatory capital	£260.4m	£0.4m	£7.1m
8b	Amount recognised in MREL but not eligible for regulatory capital	£17.9m	–	£19.2m
9	Nominal amount of instrument	£300.0m	£3.9m	£25.6m
UK-9a	Issue price	99.389	97.983	100
UK-9b	Redemption price	100	100	100
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	13-Sep-17	26-Apr-99	01-Apr-10
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	13-Sep-28	26-Apr-24	01-Apr-25
14	Issuer call subject to prior supervisory approval	Yes	N/A	N/A
15	Optional call date, contingent call dates and redemption amount	13/09/2027, no contingent call dates and redemption amount in full at par	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	3.375%	6.375%	13.500%

UK CCA – Main features of regulatory own funds instruments and eligible liabilities instruments – Tier 2 (continued)

		Qualitative or quantitative information – Free format	Qualitative or quantitative information – Free format	Qualitative or quantitative information – Free format
19	Existence of a dividend stopper	No	No	No
UK-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
UK-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Convertible
24	If convertible, conversion trigger(s)	N/A	N/A	The Conversion Trigger shall occur if on any Calculation Date the Issuer's Consolidated Core Tier 1 Ration, as confirmed in a report of the auditors to the Issuer and addressed by the board of directors of the Issuer, is less than 5%
25	If convertible, fully or partially	N/A	N/A	Fully
26	If convertible, conversion rate	N/A	N/A	One PPDS per Note (Notes have a denomination of £500)
27	If convertible, mandatory or optional conversion	N/A	N/A	Mandatory
28	If convertible, specify instrument type convertible into	N/A	N/A	Profit Participating Preferred Shares (PPDS)
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	Yorkshire Building Society
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Yes	Yes	Yes
32	If write-down, full or partial	Under the UK Banking Act 2009 (the "Banking Act"), substantial powers are granted to HM Treasury, the PRA, the FCA and the Bank of England (together, the "Authorities") as part of a special resolution regime (the "SRR"). The Banking Act contains a capital write-down tool which enables (and, if the institution enters into resolution, requires) the relevant Authorities permanently to write-down, or convert into common equity tier 1 instruments (which, in the case of the Issuer, could be core capital deferred shares), any Tier 1 capital instruments and Tier 2 capital instruments (including Subordinated Notes issued under the Programme) at the point of non-viability of the relevant entity and before or together with the exercise of any stabilisation power.	Under the UK Banking Act 2009 (the "Banking Act"), substantial powers are granted to HM Treasury, the PRA, the FCA and the Bank of England (together, the "Authorities") as part of a special resolution regime (the "SRR"). The Banking Act contains a capital write-down tool which enables (and, if the institution enters into resolution, requires) the relevant Authorities permanently to write-down, or convert into common equity tier 1 instruments (which, in the case of the Issuer, could be core capital deferred shares), any Tier 1 capital instruments and Tier 2 capital instruments (including Subordinated Notes issued under the Programme) at the point of non-viability of the relevant entity and before or together with the exercise of any stabilisation power.	Under the UK Banking Act 2009 (the "Banking Act"), substantial powers are granted to HM Treasury, the PRA, the FCA and the Bank of England (together, the "Authorities") as part of a special resolution regime (the "SRR"). The Banking Act contains a capital write-down tool which enables (and, if the institution enters into resolution, requires) the relevant Authorities permanently to write-down, or convert into common equity tier 1 instruments (which, in the case of the Issuer, could be core capital deferred shares), any Tier 1 capital instruments and Tier 2 capital instruments (including Subordinated Notes issued under the Programme) at the point of non-viability of the relevant entity and before or together with the exercise of any stabilisation power.

UK CCA – Main features of regulatory own funds instruments and eligible liabilities instruments – Tier 2 (continued)

		Qualitative or quantitative information – Free format	Qualitative or quantitative information – Free format	Qualitative or quantitative information – Free format
33	If write-down, permanent or temporary	Permanently	Permanently	Permanently
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	Statutory	Statutory	Statutory
UK-34b	Ranking of the instrument in normal insolvency proceedings	The Subordinated Notes rank junior to the Senior Non-Preferred Notes which rank Junior to the Senior Preferred Notes, which, in turn, rank junior to those of the Issuer's obligations which are by law given priority over its Senior Preferred Notes, including its retail member deposits.	The Subordinated Notes rank junior to the Senior Non-Preferred Notes which rank Junior to the Senior Preferred Notes, which, in turn, rank junior to those of the Issuer's obligations which are by law given priority over its Senior Preferred Notes, including its retail member deposits.	The Subordinated Convertible Tier 2 notes rank junior to the Tier 2 notes which rank Junior to the Senior Non-Preferred Notes which rank Junior to the Senior Preferred Notes, which, in turn, rank junior to those of the Issuer's obligations which are by law given priority over its Senior Preferred Notes, including its retail member deposits.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior Non-Preferred	Senior Non-Preferred	Tier 2
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.ybs.co.uk/your-society/treasury/funding-programmes# Medium term notes > Final Terms > Final Terms 2028 Tier 2 – (XS1681849300)	https://www.ybs.co.uk/your-society/treasury/funding-programmes# Medium term notes > Final Terms > Final Terms 2024 Tier 2 – (XS0096893465)	https://www.ybs.co.uk/your-society/treasury/funding-programmes# Capital > Convertible Capital Note Listing Document

UK CCA – Main features of regulatory own funds instruments and eligible liabilities instruments – SNP (Table 1 of 2)

		Qualitative or quantitative information – Free format	Qualitative or quantitative information – Free format	Qualitative or quantitative information – Free format
1	Issuer	Yorkshire Building Society (WXDOEHQRPI7HKN3I5T57)	Yorkshire Building Society (WXDOEHQRPI7HKN3I5T57)	Yorkshire Building Society (WXDOEHQRPI7HKN3I5T57)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1982838275	XS2385755835	XS2467494774
2a	Public or private placement	Public	Public	Public
3	Governing law(s) of the instrument	English	English	English
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes	Yes
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Senior Non-Preferred	Senior Non-Preferred	Senior Non-Preferred
5	Post-transitional CRR rules	Senior Non-Preferred	Senior Non-Preferred	Senior Non-Preferred
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	solo&(sub-)consolidated	solo&(sub-)consolidated	solo&(sub-)consolidated
7	Instrument type (types to be specified by each jurisdiction)	Senior Non-Preferred	Senior Non-Preferred	Senior Non-Preferred
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	£134.4m	£220.8m	£280.6m
8a	Amount recognised in regulatory capital	–	–	–
8b	Amount recognised in MREL but not eligible for regulatory capital	£134.4m	£220.8m	£280.6m
9	Nominal amount of instrument	£138.58m	£250.0m	£300.0m
UK-9a	Issue price	99.976	99.186	100
UK-9b	Redemption price	100	100	100
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	18-Apr-19	15-Sep-21	11-Apr-22
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	18-Apr-25	15-Sep-29	11-Oct-30
14	Issuer call subject to prior supervisory approval	Yes	N/A	N/A
15	Optional call date, contingent call dates and redemption amount	18/04/2024, no contingent call dates and redemption amount in full at par	15/09/2028, no contingent call dates and redemption amount in full at par	11/10/2029, no contingent call dates and redemption amount in full at par
16	Subsequent call dates, if applicable	N/A	N/A	N/A
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	3.000%	1.500%	3.511%

UK CCA – Main features of regulatory own funds instruments and eligible liabilities instruments – SNP (Table 1 of 2 continued)

		Qualitative or quantitative information – Free format	Qualitative or quantitative information – Free format	Qualitative or quantitative information – Free format
19	Existence of a dividend stopper	No	No	No
UK-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
UK-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Yes	Yes	Yes
32	If write-down, full or partial	Under the UK Banking Act 2009 (the "Banking Act"), substantial powers are granted to HM Treasury, the PRA, the FCA and the Bank of England (together, the "Authorities") as part of a special resolution regime (the "SRR"). The Banking Act contains a capital write-down tool which enables (and, if the institution enters into resolution, requires) the relevant Authorities permanently to write-down, or convert into common equity tier 1 instruments (which, in the case of the Issuer, could be core capital deferred shares), any Tier 1 capital instruments and Tier 2 capital instruments (including Subordinated Notes issued under the Programme) at the point of non-viability of the relevant entity and before or together with the exercise of any stabilisation power. Senior Non-Preferred Notes issued under the Programme may similarly be subject to the capital write-down tool, if used in combination with a resolution tool.	Under the UK Banking Act 2009 (the "Banking Act"), substantial powers are granted to HM Treasury, the PRA, the FCA and the Bank of England (together, the "Authorities") as part of a special resolution regime (the "SRR"). The Banking Act contains a capital write-down tool which enables (and, if the institution enters into resolution, requires) the relevant Authorities permanently to write-down, or convert into common equity tier 1 instruments (which, in the case of the Issuer, could be core capital deferred shares), any Tier 1 capital instruments and Tier 2 capital instruments (including Subordinated Notes issued under the Programme) at the point of non-viability of the relevant entity and before or together with the exercise of any stabilisation power. Senior Non-Preferred Notes issued under the Programme may similarly be subject to the capital write-down tool, if used in combination with a resolution tool.	Under the UK Banking Act 2009 (the "Banking Act"), substantial powers are granted to HM Treasury, the PRA, the FCA and the Bank of England (together, the "Authorities") as part of a special resolution regime (the "SRR"). The Banking Act contains a capital write-down tool which enables (and, if the institution enters into resolution, requires) the relevant Authorities permanently to write-down, or convert into common equity tier 1 instruments (which, in the case of the Issuer, could be core capital deferred shares), any Tier 1 capital instruments and Tier 2 capital instruments (including Subordinated Notes issued under the Programme) at the point of non-viability of the relevant entity and before or together with the exercise of any stabilisation power. Senior Non-Preferred Notes issued under the Programme may similarly be subject to the capital write-down tool, if used in combination with a resolution tool.

UK CCA – Main features of regulatory own funds instruments and eligible liabilities instruments – SNP (Table 1 of 2 continued)

		Qualitative or quantitative information – Free format	Qualitative or quantitative information – Free format	Qualitative or quantitative information – Free format
33	If write-down, permanent or temporary	Permanently	Permanently	Permanently
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	Statutory	Statutory	Statutory
UK-34b	Ranking of the instrument in normal insolvency proceedings	The Senior Non-Preferred notes rank junior to the Senior Preferred Notes, which, in turn, rank junior to those of the Issuer's obligations which are by law given priority over its Senior Preferred Notes, including its retail member deposits.	The Senior Non-Preferred notes rank junior to the Senior Preferred Notes, which, in turn, rank junior to those of the Issuer's obligations which are by law given priority over its Senior Preferred Notes, including its retail member deposits.	The Senior Non-Preferred notes rank junior to the Senior Preferred Notes, which, in turn, rank junior to those of the Issuer's obligations which are by law given priority over its Senior Preferred Notes, including its retail member deposits.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior Preferred	Senior Preferred	Senior Preferred
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.ybs.co.uk/your-society/treasury/funding-programmes# Medium term notes > Final Terms > Final Terms – 3.000% 2024 – (XS1982838275)	https://www.ybs.co.uk/your-society/treasury/funding-programmes# Medium term notes > Final Terms > Final Terms – 1.50% 2028 – (XS2385755835)	https://www.ybs.co.uk/your-society/treasury/funding-programmes# Medium term notes > Final Terms > Final Terms – 3.511% 2029 – (XS2467494774)

UK CCA – Main features of regulatory own funds instruments and eligible liabilities instruments – SNP (Table 2 of 2)

		Qualitative or quantitative information – Free format	Qualitative or quantitative information – Free format
1	Issuer	Yorkshire Building Society (WXDOEHQRPI7HKN3I5T57)	Yorkshire Building Society (WXDOEHQRPI7HKN3I5T57)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2675692664	XS2619295202
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	Senior Non-Preferred	Senior Non-Preferred
5	Post-transitional CRR rules	Senior Non-Preferred	Senior Non-Preferred
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	solo&(sub-)consolidated	solo&(sub-)consolidated
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)	£316.7m	£360.5m
8a	Amount recognised in regulatory capital	-m	-m
8b	Amount recognised in MREL but not eligible for regulatory capital	£316.7m	£360.5m
9	Nominal amount of instrument	£300.0m	£350.0m
UK-9a	Issue price	99.733	99.799
UK-9b	Redemption price	100	100
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	12-Sep-23	15-May-23
12	Perpetual or dated	Dated	Dated
13	Original maturity date	11-Oct-30	11-Oct-30
14	Issuer call subject to prior supervisory approval	N/A	N/A
15	Optional call date, contingent call dates and redemption amount	12/09/2026, no contingent call dates and redemption amount in full at par	15/11/2027, no contingent call dates and redemption amount in full at par
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	7.375%	6.375%

UK CCA – Main features of regulatory own funds instruments and eligible liabilities instruments – SNP (Table 2 of 2 continued)

		Qualitative or quantitative information – Free format	Qualitative or quantitative information – Free format
19	Existence of a dividend stopper	No	No
UK-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
UK-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible
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	Yes	Yes
31	If write-down, write-down trigger(s)	Yes	Yes
32	If write-down, full or partial	Under the UK Banking Act 2009 (the "Banking Act"), substantial powers are granted to HM Treasury, the PRA, the FCA and the Bank of England (together, the "Authorities") as part of a special resolution regime (the "SRR"). The Banking Act contains a capital write-down tool which enables (and, if the institution enters into resolution, requires) the relevant Authorities permanently to write-down, or convert into common equity tier 1 instruments (which, in the case of the Issuer, could be core capital deferred shares), any Tier 1 capital instruments and Tier 2 capital instruments (including Subordinated Notes issued under the Programme) at the point of non-viability of the relevant entity and before or together with the exercise of any stabilisation power. Senior Non-Preferred Notes issued under the Programme may similarly be subject to the capital write-down tool, if used in combination with a resolution tool.	Under the UK Banking Act 2009 (the "Banking Act"), substantial powers are granted to HM Treasury, the PRA, the FCA and the Bank of England (together, the "Authorities") as part of a special resolution regime (the "SRR"). The Banking Act contains a capital write-down tool which enables (and, if the institution enters into resolution, requires) the relevant Authorities permanently to write-down, or convert into common equity tier 1 instruments (which, in the case of the Issuer, could be core capital deferred shares), any Tier 1 capital instruments and Tier 2 capital instruments (including Subordinated Notes issued under the Programme) at the point of non-viability of the relevant entity and before or together with the exercise of any stabilisation power. Senior Non-Preferred Notes issued under the Programme may similarly be subject to the capital write-down tool, if used in combination with a resolution tool.

UK CCA – Main features of regulatory own funds instruments and eligible liabilities instruments – SNP (Table 2 of 2 continued)

		Qualitative or quantitative information – Free format	Qualitative or quantitative information – Free format
33	If write-down, permanent or temporary	Permanently	Permanently
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	Statutory	Statutory
UK-34b	Ranking of the instrument in normal insolvency proceedings	The Senior Non-Preferred notes rank junior to the Senior Preferred Notes, which, in turn, rank junior to those of the Issuer's obligations which are by law given priority over its Senior Preferred Notes, including its retail member deposits.	The Senior Non-Preferred notes rank junior to the Senior Preferred Notes, which, in turn, rank junior to those of the Issuer's obligations which are by law given priority over its Senior Preferred Notes, including its retail member deposits.
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)	https://www.ybs.co.uk/your-society/treasury/funding-programmes# Medium term notes > Final Terms > Final Terms – 7.375% 2026 – (XS2675692664)	https://www.ybs.co.uk/your-society/treasury/funding-programmes# Medium term notes > Final Terms > Final Terms – 6.375% 2028 – (XS2619295202)

ANNEX IX : COUNTERCYCLICAL CAPITAL BUFFERS

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 credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
010	**Breakdown by country:**													
	United Kingdom	51,984.3	–	–	–	402.8	52,387.1	1,564.5	–	3.2	1,567.7	19,596.2	99.31	2.00
	Canada	1,194.0	–	–	–	–	1,194.0	10.9	–	–	10.9	135.8	0.69	–
020	**Total**	**53,178.3**	**–**	**–**	**–**	**402.8**	**53,581.1**	**1,575.4**	**–**	**3.2**	**1,578.6**	**19,732.0**	**100.0**	

UK CCyB2 – Amount of institution-specific countercyclical capital buffer

		a
		£m
1	Total risk exposure amount	21,756.0
2	Institution specific countercyclical capital buffer rate	1.99%
3	Institution specific countercyclical capital buffer requirement	432.1

ANNEX XI : LEVERAGE RATIO

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

		a Applicable amount
		£m
1	Total assets as per published financial statements	60,968.7
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	4.0
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	–
4	(Adjustment for exemption of exposures to central banks)	(4,662.6)
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) of the CRR)	–
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	–
7	Adjustment for eligible cash pooling transactions	–
8	Adjustment for derivative financial instruments	(910.0)
9	Adjustment for securities financing transactions (SFTs)	2,554.5
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	567.0
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	–
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	–
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	–
12	Other adjustments	(120.8)
13	**Total exposure measure**	**58,400.9**

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UK LR2 – LRCom: Leverage ratio common disclosure

		a	b
		Leverage ratio exposures	
		31/12/2023	30/06/2023
		£m	£m
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	58,314.3	58,256.2
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	675.1	715.7
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–	–
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	–	–
5	(General credit risk adjustments to on-balance sheet items)	–	–
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(54.3)	(51.4)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**58,935.1**	**58,920.6**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	808.0	804.1
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	–	–
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	37.0	33.4
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	–	–
UK-9b	Exposure determined under the original exposure method	–	–
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	–	–
UK-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	–	–
UK-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	–	–
11	Adjusted effective notional amount of written credit derivatives	–	–
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–	–
13	**Total derivatives exposures**	**845.0**	**837.6**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	161.9	192.0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–
16	Counterparty credit risk exposure for SFT assets	2,554.5	1,857.3
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	–	–
17	Agent transaction exposures	–	–
UK-17a	(Exempted CCP leg of client-cleared SFT exposures)	–	–
18	**Total securities financing transaction exposures**	**2,716.4**	**2,049.3**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	2,902.6	2,610.2
20	(Adjustments for conversion to credit equivalent amounts)	(2,335.6)	(2,102.9)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	–	–
22	**Off-balance sheet exposures**	**567.0**	**507.3**
	Excluded exposures		
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	–	–
UK-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off- balance sheet))	–	–
UK-22g	(Excluded excess collateral deposited at triparty agents)	–	–
UK-22k	**(Total exempted exposures)**	**–**	**–**

UK LR2 – LRCom: Leverage ratio common disclosure (continued)

		a	b
		Leverage ratio exposures	
		31/12/2023	30/06/2023
		£m	£m
	Capital and total exposure measure		
23	Tier 1 capital (leverage)	3,638.7	3,455.0
24	Total exposure measure including claims on central banks	63,063.5	62,314.8
UK-24a	(–) Claims on central banks excluded	(4,662.6)	(7,376.5)
UK-24b	**Total exposure measure excluding claims on central banks**	**58,400.9**	**54,938.3**
	Leverage ratio		
25	Leverage ratio excluding claims on central banks (%)	6.2%	6.3%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	6.2%	6.3%
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	6.2%	6.3%
UK-25c	Leverage ratio including claims on central banks (%)	5.8%	5.5%
26	Regulatory minimum leverage ratio requirement (%)	3.25%	3.25%
	Additional leverage ratio disclosure requirements – leverage ratio buffers		
27	Leverage ratio buffer (%)		
UK-27a	Of which: G-SII or O-SII additional leverage ratio buffer (%)		
UK-27b	Of which: countercyclical leverage ratio buffer (%)		
	Additional leverage ratio disclosure requirements – disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
UK-31	Average total exposure measure including claims on central banks		
UK-32	Average total exposure measure excluding claims on central banks		
UK-33	Average leverage ratio including claims on central banks		
UK-34	Average leverage ratio excluding claims on central banks		

Where values are not required to be reported, owing to the size of YBS or other reasons, cells have been left blank.

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:**	**58,992.9**
UK-2	Trading book exposures	–
UK-3	Banking book exposures, of which:	58,992.9
UK-4	Covered bonds	3,333.6
UK-5	Exposures treated as sovereigns	6,692.7
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	–
UK-7	Institutions	1,370.9
UK-8	Secured by mortgages of immovable properties	46,028.5
UK-9	Retail exposures	–
UK-10	Corporates	–
UK-11	Exposures in default	171.9
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	1,395.3

UK LRA – Disclosure of LR qualitative information

(a) Processes used to manage the risk of excessive leverage

The nature of the Society's business leads to a relatively stable leverage ratio. The balance sheet shows a high proportion of mortgage lending compared with other exposures, and the relative stability of these over the mid to longer term, leads to a reduced likelihood of unanticipated movements in the leverage exposure or ratio.

Monitoring of the leverage ratio forms an integral part of the Society's capital planning and its risk management processes. The statistics, that inform monthly review meetings, include movements in leverage alongside other capital measures. The actual values are compared against forecast figures in the capital plan. ALCO and the Board ensure that the Society's activities would not cause the leverage ratio to move outside pre-approved limits and triggers set by the Board.

The ICAAP also ensures a close monitoring of leverage, as set out in the respective documentation. Within the ICAAP, frequent forecasting and stress testing allows for different scenarios to be anticipated and examined. Corrective actions will be taken if appropriate.

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

The leverage ratio (excluding claims on central banks) saw a slight reduction from 6.3% at June 2023 to 6.2% at December 2023.

Year-on-year the leverage ratio remained static at 6.2%; this was due to aligned growth in Tier 1 capital (due to retained earnings in the year) and the leverage ratio exposure (due to balance sheet growth).

ANNEX XIII : LIQUIDITY REQUIREMENTS

UK LIQA – Liquidity risk management

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

The Society's management of liquidity risk is based on a number of key principles:

- The Society will at all times maintain liquidity resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due, even under stressed conditions;
- The Society will ensure the maintenance of adequate investments in liquid assets in order to cover the Society's statutory, regulatory and operational requirement in normal and stressed conditions, including the maintenance of liquidity levels in line with the prevailing risk appetite;
- The Society will have in place robust strategies, policies, processes and systems that enable it to identify, measure, manage and monitor liquidity risk over a set of time horizons, including intra-day, so as to ensure that it maintains adequate levels of liquidity buffers. These strategies, policies, processes and systems, will be tailored to business lines and will include adequate allocation mechanisms of liquidity costs, benefits, and risks, and ensure that the risks associated with collateral management and asset encumbrance are adequately identified, monitored, and managed;
- The Society will adequately stress test its liquidity requirements with contingency funding arrangements in place; and
- The Society will maintain a diverse funding base to underpin its liquidity position, with risk appetite limits in place around both the diversity (by funding type and currency) and maturity profile of its wholesale funding base. In addition to this, the Society has limits in place to ensure that an appropriate minimum proportion of the Society's funding is from retail sources at all times, with the maturity profile and product concentration of these deposits monitored within the Society's risk appetite statement.

(b) Structure and organisation of the liquidity risk management function

The Society's Assets and Liabilities Committee (ALCO) is responsible for the overall management of liquidity and funding risks within the prevailing risk appetite and policies. The liquidity and funding risk appetite statement and policy are approved by the Society's Board on an annual basis.

Liquidity risk is managed centrally for the group and is monitored and reported by the Asset & Liability Management (ALM) team within the Balance Sheet Control (BSC) function. The Society operates a Three Lines of Defence model, with challenge and oversight on all elements of prudential risk management provided by the prudential risk oversight (second line) and internal audit (third line) functions.

(c) Degree of centralisation of liquidity management and interaction between the group's units

Liquidity risk is monitored on a Group Consolidated basis, with various subsidiaries which could impact the Society's liquidity position (e.g. Accord, Securitisation SPVs and the Covered Bond LLP) incorporated in the liquidity risk management process.

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

Liquidity Risk is monitored regularly based on retail data from the Society's core processing systems and treasury output from the Society's Treasury Management System. Specialist ALM software is deployed in the production of both internal and regulatory reporting. Meaningful analysis is conducted on results prior to internal or regulatory submission, with controls in place around both data quality and processing accuracy.

(e) Policies for hedging and mitigating liquidity risk; and strategies and processes for monitoring their continuing effectiveness

The Society mitigates its liquidity and funding risks by ensuring that a stock of High Quality Liquid Assets (HQLA) equivalent to at least 100% of net outflows is maintained for the regulatory Liquidity Coverage Ratio (LCR). In relation to the internal stress tests, a stock of Marketable Assets and Cash (MAC) equivalent to at least 100% of the overall liquidity requirement is maintained. Both metrics are monitored on a daily basis, with a weekly liquidity forecast spanning a 2 year period performed to identify any low points in the forecast horizon.

Furthermore, the Society monitors the regulatory Net Stable Funding Ratio (NSFR) on a monthly basis, with the aim of maintaining at least the regulatory minimum of 100%. In addition to these core liquidity metrics, a suite of complementary metrics are monitored as part of the Risk Appetite Statements. These govern items such as, but not limited to encumbrance levels, funding concentration by product type, business unit (i.e. Wholesale v Retail in line with the Building Societies Act funding limit) and currency.

(f) The Society's contingency funding plans

The Liquidity Contingency Plan, embedded within the wider Recovery Plan Framework, sets out a range of indicators to provide early warning of approaching risks and thresholds that give rise to action, as well as including the allocation of management responsibilities for these actions. Such actions include the invoking of the recovery plan at the discretion of the Risk Owner (or deputy). If the recovery plan is invoked, the Society has a range of recovery options that can be actioned. The Liquidity Contingency Plan is updated on an annual basis with a wider recovery plan fire drill exercise conducted at least once every 3 years.

(g) How stress testing is used

Stress testing underpins much of the Society's liquidity risk management framework. The Society's core liquidity metrics are the regulatory LCR (covering a 30 day stress horizon but focused largely on contractual flows and with regulatory prescribed outflow and inflow rates), as well the internal 1 and 3 month OLR stress tests. OLR scenarios are updated through the Internal Liquidity Adequacy Assessment Process (ILAAP) and approved by the Board each year.

(h) Declaration on the adequacy of liquidity risk management arrangements

The Society takes a prudent approach to liquidity risk management, with internal risk appetites set at a surplus to regulatory minimums for all core liquidity metrics. The overall rigour and prudence of the embedded liquidity risk management framework is deemed appropriate for the Society's overall business model and risk profile.

(i) Liquidity risk statement

The Society's Liquidity risk management framework aims to ensure that the Society, at all times, maintains an adequate buffer of highly liquid assets in such quantity that it is able to meet its obligations as and when they fall due; both under 'business as usual' and stressed conditions.

Throughout 2023, all core liquidity metrics have been maintained in excess of both internal and regulatory minimums, with an average LCR ratio of 178.27% across the year. As well as maintaining a comfortable excess to requirement on the LCR ratio, the Society has also maintained adequate headroom over requirement in relation to its internally developed liquidity stress tests. In the same vein, the average NSFR across 2023 submissions was 147.79%.

UK LIQ1 – Quantitative information of LCR

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
		£m	£m	£m	£m	£m	£m	£m	£m
UK 1a	Quarter ending on	31/12/2023	30/09/2023	30/06/2023	31/03/2023	31/12/2023	30/09/2023	30/06/2023	31/03/2023
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	High-quality liquid assets								
1	Total high-quality liquid assets (HQLA)					11,903.9	11,828.8	11,282.3	10,571.1
	Cash – outflows								
2	Retail deposits and deposits from small business customers, of which:	45,968.6	44,538.9	42,638.3	40,618.2	3,245.7	3,142.6	3,008.8	2,849.1
3	Stable deposits	19,740.5	19,817.1	19,674.2	19,426.6	987.0	990.9	983.7	971.3
4	Less stable deposits	21,266.4	20,188.3	18,929.5	17,497.5	2,240.7	2,133.2	2,004.4	1,855.5
5	Unsecured wholesale funding	514.8	513.6	543.5	547.8	475.2	470.4	495.1	497.6
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–	–	–	–	–	–	–
7	Non-operational deposits (all counterparties)	380.1	386.2	398.6	402.1	340.5	343.0	350.2	352.0
8	Unsecured debt	134.7	127.5	144.9	145.7	134.7	127.5	144.9	145.7
9	Secured wholesale funding					4.6	5.2	5.3	5.3
10	Additional requirements	2,623.0	2,756.0	2,608.0	2,361.9	2,496.1	2,629.0	2,476.0	2,223.2
11	Outflows related to derivative exposures and other collateral requirements	2,481.9	2,614.9	2,461.3	2,207.8	2,481.9	2,614.9	2,461.3	2,207.8
12	Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
13	Credit and liquidity facilities	141.1	141.2	146.6	154.1	14.1	14.1	14.7	15.4
14	Other contractual funding obligations	49.6	48.4	72.9	62.9	19.3	18.8	43.8	34.2
15	Other contingent funding obligations	2,556.1	2,320.0	2,341.9	2,452.4	794.4	721.1	745.8	830.1
16	**Total cash outflows**					**7,035.3**	**6,987.1**	**6,774.6**	**6,439.5**
	Cash – inflows								
17	Secured lending (e.g. reverse repos)	163.5	172.0	185.7	171.6	–	–	–	–
18	Inflows from fully performing exposures	451.9	442.0	408.3	389.1	199.8	191.7	183.3	177.4
19	Other cash inflows	156.4	161.7	148.8	139.1	156.4	161.7	148.8	139.1
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					–	–	–	–
UK-19b	(Excess inflows from a related specialised credit institution)					–	–	–	–
20	**Total cash inflows**	**771.8**	**775.6**	**742.7**	**699.8**	**356.2**	**353.4**	**332.0**	**316.5**
UK-20a	Fully exempt inflows	–	–	–	–	–	–	–	–
UK-20b	Inflows subject to 90% cap	–	–	–	–	–	–	–	–
UK-20c	Inflows subject to 75% cap	771.8	775.6	742.7	699.8	356.2	353.4	332.0	316.5
	Total adjusted value								
UK-21	Liquidity buffer					11,903.9	11,828.8	11,282.3	10,571.1
22	Total net cash outflows					6,679.2	6,633.7	6,442.6	6,123.0
23	Liquidity coverage ratio					178.3%	178.2%	174.9%	172.6%

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

in accordance with Article 451a(2) CRR

(a) Explanations on the main drivers of LCR results

The Society's average LCR across quarters has marginally increased. This is due to an increased HQLA balance following retail deposit inflows, partially offset by repayments of TFSME during 2023. Net outflow requirements have also increased due to the growth in the Society's retail deposit book.

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

The Society's 12-month average LCR (calculated using 12 previous month end points) as at 31 December 2023 was 178.27%, which represents a 0.04% increase on the average of the 12 month end points leading up to 30 September 2023. Whilst the Society's HQLA levels have increased, the increase in net liquidity outflows has broadly offset the HQLA growth. The increase in net outflows is driven by higher outflow requirements for retail deposits and mortgage pipeline, but partially offset by a reduction in the outflow requirement relating to derivative exposures, primarily due to theoretical downgrade triggers.

(c) Explanations on the actual concentration of funding sources

The Society remains committed to maintaining a diverse funding base to underpin its liquidity position, with risk appetite limits in place around the diversity (by funding type, source, and currency) and maturity profile of its wholesale funding base. Furthermore, there are limits in place to ensure that an appropriate minimum proportion of the Society's lending activity is funded through retail deposits.

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

The Society maintains a diverse profile of HQLA. Our approach prioritises diversification to mitigate risk, SMF adherence to minimum reserve thresholds, and alignment with regulatory guidelines governing liquidity buffer composition. These combined factors are central to the Society's investment strategy, ensuring compliance with regulatory requirements. The bulk of the Society's HQLA is classified as Level 1 and Level 2A.

(e) Derivative exposures and potential collateral calls

The Society's derivative requirements can be mainly summarised as those arising from a material (3 notch) deterioration in the Society's own credit rating, as well as outflows relating to the impact of adverse rate scenarios upon the Society's collateralised derivative contracts. As part of the latter, the Society calculates an excess collateral requirement against plausible upcoming calls based on the most recent value of its collateralised derivative positions.

(f) Currency mismatch in the LCR

The Society's core operations are transacted in GBP, with any funding accessed in other currencies hedged back to GBP at execution.

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

At present, all relevant items for the Society are populated within the disclosure template.

UK LIQ2 – Net Stable Funding Ratio

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted Value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		£m	£m	£m	£m	£m
	Available stable funding (ASF) Items					
1	Capital items and instruments	3,467.0	–	–	273.8	3,740.8
2	Own funds	3,467.0	–	–	–	3,467.0
3	Other capital instruments		–	–	273.8	273.8
4	Retail deposits		42,641.3	2,021.2	1,617.7	42,798.5
5	Stable deposits		19,692.0	–	–	18,707.4
6	Less stable deposits		22,949.3	2,021.2	1,617.7	24,091.1
7	Wholesale funding:		1,256.2	632.0	7,515.8	8,062.6
8	Operational deposits		–	–	–	–
9	Other wholesale funding		1,256.2	632.0	7,515.8	8,062.6
10	Interdependent liabilities		–	–	–	–
11	Other liabilities:	870.8	–	–	–	–
12	NSFR derivative liabilities	27.3				
13	All other liabilities and capital instruments not included in the above categories		–	–	–	–
14	**Total available stable funding (ASF)**					**54,601.8**
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					702.9
UK-15a	Assets encumbered for more than 12m in cover pool		–	–	–	–
16	Deposits held at other financial institutions for operational purposes		213.0	–	–	106.5
17	Performing loans and securities:		872.6	559.2	47,178.0	35,137.9
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		166.7	–	–	–
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		–	–	–	–
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		22.2	31.3	2,143.8	1,849.0
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		–	–	–	–
22	Performing residential mortgages, of which:		103.1	140.1	44,755.7	32,554.6
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		102.9	139.7	39,361.1	27,912.0
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		580.5	387.8	278.5	734.3
25	Interdependent assets		–	–	–	–

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UK LIQ2 – Net Stable Funding Ratio (continued)

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted Value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		£m	£m	£m	£m	£m
26	Other assets:	–	134.9	0.4	370.4	861.9
27	Physical traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		566.5			481.5
29	NSFR derivative assets		2.6			2.6
30	NSFR derivative liabilities before deduction of variation margin posted		131.9			6.6
31	All other assets not included in the above categories		0.4	0.4	370.4	371.2
32	Off-balance sheet items		2,741.7	–	–	137.1
33	**Total RSF**					**36,946.2**
34	**Net Stable Funding Ratio (%)**					**147.8%**

ANNEX XV : RISK MANAGEMENT OBJECTIVES AND POLICIES, EXPOSURES TO CREDIT RISK, DILUTION RISK AND CREDIT QUALITY

UK CRA – General qualitative information about credit risk

(a) How the business model translates into the components of the Society's credit risk profile

The Society places great emphasis on the effective management of risk, ensuring the viability and long-term stability of its business for the benefit of its members. As explained more fully in the UK OVA, risk is managed within an Enterprise Risk Management Framework, with the Board being responsible for determining the level of risk it is prepared to accept, in line with its strategic objectives.

The majority of the Society's lending is to mortgage customers for the purchase of housing in the UK. For this group in particular, good credit risk management is not only of benefit to the Society, but to the borrowers also. It therefore supports the key objective to offer 'Real Help with Real Life'.

The Society also has a Commercial Lending portfolio providing mortgage services to both trading businesses and property investors who are based in the UK.

(b) Criteria and approach used for defining credit risk management policy, and for setting limits

The Retail and Commercial Lending Policy ensures that all lending undertaken by the Society is aligned to the Board approved Risk Appetite, which sets out the amount of risk the Society is prepared to take or retain in pursuit of value.

A robust credit risk framework ensures that lending remains within risk appetite limits, and appropriate remedial action is taken if a breach occurs. Adherence is monitored regularly through governance committees.

In undertaking all lending activity, the Society ensures the following:

- The Society acts in accordance with all required regulations;
- Lending remains within the approved Risk Appetite;
- The Society adopts a structured design, review and approval process to ensure that all product launches, changes, and withdrawals deliver appropriate customer outcomes;
- The Society ensures all lending is responsible, sustainable and delivers the right customer outcomes by ensuring customers have the ability and willingness to satisfactorily service repayments and repay the debt on a sustainable basis by undertaking robust affordability assessments and credit history checks;
- The Society ensures increased consideration of risk will include climate considerations and particularly the matter of financial risks arising from climate change; and
- The Society acts in accordance with the its Vulnerable Customer Policy when considering financial risks for all customers.

Furthermore, the FCA's new Consumer Duty regulation came into force in July 2023 for open products and services. We undertook a comprehensive programme of work to meet those requirements, the outcomes of which were approved by YBS's Board. Work is underway to meet the July 2024 regulatory deadlines for closed products and services and the annual Board attestation.

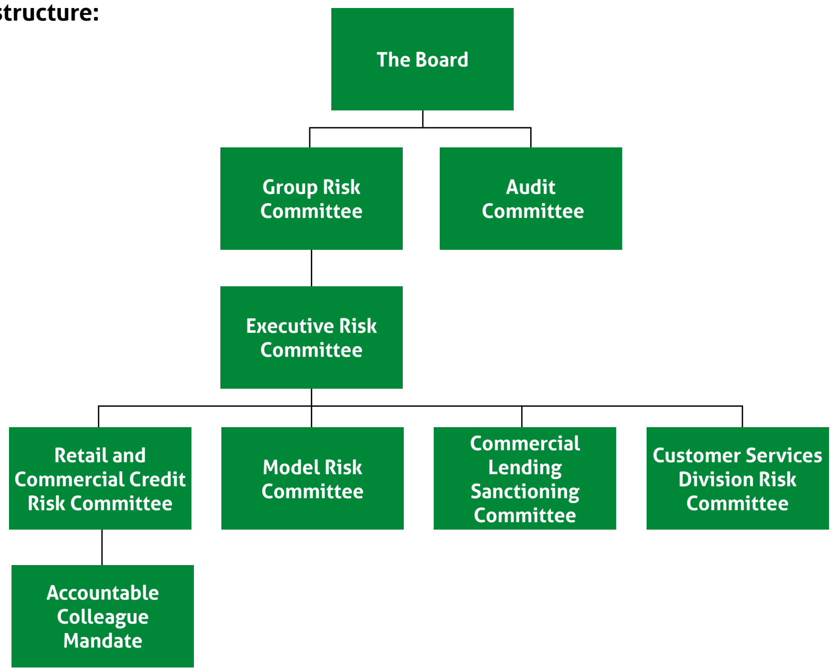
Financial performance and member value is additionally protected by the following:

- Retail and commercial credit risk is constrained by a risk appetite, which is approved by Board and further governed through the Retail and Commercial Lending Policy;
- A robust credit risk framework ensures that lending remains within risk appetite limits and appropriate remedial action is taken if a breach occurs. Adherence is monitored regularly through governance committees;
- Stress testing confirms portfolio resilience; and
- A model governance framework ensures that credit risk models are operating as intended.

(c) Structure and organisation of the credit risk management and control function

The Board is accountable for ensuring the Society remains a sustainable mutual organisation. The Board has delegated authority for credit and commercial risk management to a Group Risk Committee (GRC), Executive Risk Committee (ERC) and Retail and Commercial Credit Risk Committee (RCCRC), which have authority to make credit risk decisions on behalf of Board.

Overview of Governance structure:



(d) Relationships between credit risk management, risk control, compliance and internal audit functions

The Society operates a "three lines of defence" model, which is embedded within the Society's approach to credit risk management. This approach differentiates between those with direct responsibility for management/control of risk, those with responsibility for monitoring credit risk management effectiveness and adherence, and those providing independent and objective opinion to the Board on the adequacy and functioning of the system of internal control.

An overview of these responsibilities can be found in UK OVA, section (a) 'Risk statement approved by the management body'.

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

(a) Differences in scope and definitions of 'past-due' and 'impaired' for accounting and regulatory purposes

For accounting purposes, an exposure is deemed to be credit-impaired if it has an arrears status of more than 90 days past due, has been renegotiated for credit risk reasons, or otherwise considered to be in default (including possession, insolvency and assets beyond term expiry). For regulatory purposes, all assets past due by 90 days or more are treated as in default.

(b) Past-due exposures (more than 90 days) that are not considered to be impaired

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

(c) Methods used for determining general and specific credit risk adjustments

Following the adoption of IFRS 9, all provisions are classed as specific credit risk adjustments.

(d) The Society's definition of a restructured exposure

The Society's definition of a restructured exposure has been established in accordance with EBA and PRA guidance, including the EBA Guidelines on the Application of the Definition of Default. It therefore incorporates any forbearance that has resulted in a distressed restructuring of the loan where this is considered likely to result in a diminished financial obligation, material forgiveness, or postponement of principal, interest or fees. While the Society is currently on the Standardised approach, IRB models have been developed utilising this definition and are currently going through the review process with the PRA.

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
			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	5,226.3	5,226.3	–	–	–	–	–	–	–	–	–	–		–	–
010	Loans and advances	45,511.3	40,989.4	4,521.9	749.1	–	409.4	(35.0)	(8.5)	(26.4)	(25.0)	–	(13.7)	(2.0)	45,476.3	724.1
020	Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
030	General governments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
040	Credit institutions	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
050	Other financial corporations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
060	Non-financial corporations	2,024.3	1,949.4	74.9	21.4	–	11.2	(8.2)	(2.4)	(5.8)	(1.1)	–	(0.6)	–	2,016.1	20.3
070	Of which SMEs	48.2	46.6	1.6	4.3	–	0.9	(0.2)	(0.1)	(0.1)	(0.1)	–	–	–	47.9	4.0
080	Households	43,487.0	39,040.0	4,447.0	727.7	–	398.2	(26.8)	(6.2)	(20.6)	(23.9)	–	(13.1)	(2.0)	43,460.2	703.8
090	Debt securities	7,562.8	7,562.8	–	–	–	–	(0.9)	(0.9)	–	–	–	–	–	–	–
100	Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
110	General governments	1,730.4	1,730.4	–	–	–	–	(0.2)	(0.2)	–	–	–	–	–	–	–
120	Credit institutions	5,221.0	5,221.0	–	–	–	–	(0.8)	(0.8)	–	–	–	–	–	–	–
130	Other financial corporations	611.4	611.4	–	–	–	–	–	–	–	–	–	–	–	–	–
140	Non-financial corporations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
150	Off-balance-sheet exposures	2,742.7	–	–	–	–	–	0.1	0.1	–	–	–	–		–	–
160	Central banks	–	–	–	–	–	–	–	–	–	–	–	–		–	–
170	General governments	–	–	–	–	–	–	–	–	–	–	–	–		–	–
180	Credit institutions	–	–	–	–	–	–	–	–	–	–	–	–		–	–
190	Other financial corporations	–	–	–	–	–	–	–	–	–	–	–	–		–	–
200	Non-financial corporations	428.4	–	–	–	–	–	–	–	–	–	–	–		–	–
210	Households	2,314.3	–	–	–	–	–	0.1	0.1	–	–	–	–		–	–
220	**Total**	**61,043.1**	**53,778.5**	**4,521.9**	**749.1**	**–**	**409.4**	**(35.8)**	**(9.4)**	**(26.4)**	**(25.0)**	**–**	**(13.7)**	**(2.0)**	**45,476.3**	**724.1**

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UK CR1-A – Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
		£m	£m	£m	£m	£m	£m
1	Loans and advances	–	79.7	869.8	45,866.3	–	46,815.8
2	Debt securities	–	909.0	2,143.1	4,509.7	–	7,561.8
3	**Total**	**–**	**988.7**	**3,012.9**	**50,376.0**	**–**	**54,377.7**

UK CQ1 – Credit quality of forborne exposures

		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			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
		£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	–	–	–	–	–	–	–	–
010	Loans and advances	110.7	255.3	255.3	255.3	(0.4)	(8.9)	347.5	–
020	Central banks	–	–	–	–	–	–	–	–
030	General governments	–	–	–	–	–	–	–	–
040	Credit institutions	–	–	–	–	–	–	–	–
050	Other financial corporations	–	–	–	–	–	–	–	–
060	Non-financial corporations	–	1.6	1.6	1.6	–	(0.1)	1.5	1.5
070	Households	110.7	253.7	253.7	253.7	(0.4)	(8.8)	346.0	–
080	Debt Securities	–	–	–	–	–	–	–	–
090	Loan commitments given	–	–	–	–	–	–	–	–
100	**Total**	**110.7**	**255.3**	**255.3**	**255.3**	**(0.4)**	**(8.9)**	**347.5**	**–**

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

		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	5,226.3	5,226.3	–	–	–	–	–	–	–	–	–	–
010	Loans and advances	45,511.3	45,435.7	75.6	749.1	580.1	90.9	52.8	17.7	5.9	1.7	–	749.1
020	Central banks	–	–	–	–	–	–	–	–	–	–	–	–
030	General governments	–	–	–	–	–	–	–	–	–	–	–	–
040	Credit institutions	–	–	–	–	–	–	–	–	–	–	–	–
050	Other financial corporations	–	–	–	–	–	–	–	–	–	–	–	–
060	Non-financial corporations	2,024.3	2,022.6	1.7	21.4	13.6	6.2	1.6	–	–	–	–	21.4
070	Of which SMEs	48.2	48.1	0.1	4.3	3.4	–	0.9	–	–	–	–	4.3
080	Households	43,487.0	43,413.1	73.9	727.7	566.5	84.7	51.1	17.7	5.9	1.7	–	727.7
090	Debt securities	7,562.8	7,562.8	–	–	–	–	–	–	–	–	–	–
100	Central banks	–	–	–	–	–	–	–	–	–	–	–	–
110	General governments	1,730.4	1,730.4	–	–	–	–	–	–	–	–	–	–
120	Credit institutions	5,221.0	5,221.0	–	–	–	–	–	–	–	–	–	–
130	Other financial corporations	611.4	611.4	–	–	–	–	–	–	–	–	–	–
140	Non-financial corporations	–	–	–	–	–	–	–	–	–	–	–	–
150	Off-balance-sheet exposures	2,742.7			–								–
160	Central banks	–			–								–
170	General governments	–			–								–
180	Credit institutions	–			–								–
190	Other financial corporations	–			–								–
200	Non-financial corporations	428.4			–								–
210	Households	2,314.3			–								–
220	**Total**	**61,043.1**	**58,224.8**	**75.6**	**749.1**	**580.1**	**90.9**	**52.8**	**17.7**	**5.9**	**1.7**	**–**	**749.1**

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

		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			
		£000	£000	£000	£000	£000	£000
010	Agriculture, forestry and fishing	–	–	–	–	–	–
020	Mining and quarrying	–	–	–	–	–	–
030	Manufacturing	5,337.9	1,391.1	1,391.1	5,337.9	–	–
040	Electricity, gas, steam and air conditioning supply	–	–	–	–	–	–
050	Water supply	–	–	–	–	–	–
060	Construction	3,834.1	309.3	309.3	3,834.1	(6.4)	–
070	Wholesale and retail trade	11,479.6	330.8	330.8	11,479.6	(32.1)	–
080	Transport and storage	2,649.5	–	–	2,649.5	–	–
090	Accommodation and food service activities	7,155.1	269.3	269.3	7,155.1	(35.4)	–
100	Information and communication	1,844.1	–	–	1,844.1	–	–
110	Financial and insurance activities	1,689,745.0	15,272.3	15,272.3	1,689,745.0	(508.6)	–
120	Real estate activities	310,569.8	2,865.1	2,865.1	310,569.8	(8,645.5)	–
130	Professional, scientific and technical activities	4,981.1	259.5	259.5	4,981.1	(23.3)	–
140	Administrative and support service activities	1,192.1	258.0	258.0	1,192.1	(9.9)	–
150	Public administration and defence, compulsory social security	–	–	–	–	–	–
160	Education	285.7	–	–	285.7	–	–
170	Human health services and social work activities	3,646.3	437.4	437.4	3,646.3	(13.7)	–
180	Arts, entertainment and recreation	445.2	7.3	7.3	445.2	–	–
190	Other services	2,521.3	–	–	2,521.3	–	–
200	**Total**	**2,045,686.8**	**21,400.1**	**21,400.1**	**2,045,686.8**	**(9,274.9)**	**–**

ANNEX XVII : CREDIT RISK MITIGATION TECHNIQUES

UK CRC – Qualitative disclosure requirements related to CRM techniques

(a) Core policies and processes for on- and off-balance sheet netting

Netting is one of the Credit Risk Mitigation (CRM) techniques used by the Society. Netting of on-balance sheet items is only used where there is a legally enforceable right of set off, and there is an intention to settle on a net basis or realise the asset and liability simultaneously.

Derivative financial instrument contracts are typically subject to a master netting agreement and Credit Support Annexes where relevant. These are standard documents produced by the International Swaps and Derivatives Association. Separate agreements exist where contracts are settled via a Clearing House or exchange.

Offsetting Repos and Reverse Repos with the same counterparty are also netted.

(b) Core features of policies and processes for eligible collateral evaluation

Retail: The Group's retail mortgages are secured on residential property. All retail lending is supported by an appropriate form of valuation using either professional or indexed valuations (subject to policy rules and confidence levels). Buildings insurance is mandatory on all mortgaged properties.

The value of these properties is updated on a quarterly basis using the Office for National Statistics (ONS) regional property price indices, which comprise relative house price movements across the UK. These indexed valuations provide senior management with a view of the value and risk of the properties on which retail mortgages are secured.

Commercial: All commercial property collateral must be subject to an internal valuation carried out by a Panel Valuer appointed by the Society before a loan is agreed. The valuer must have an appropriate level of PII cover and the valuation must be appropriate for the particular type of property being valued. Robust policies and procedures are in place to ensure the suitability of the valuation for each property type.

The majority of loans are advanced against commercial properties using a vacant possession valuation to mitigate against future losses. Loans against specialist properties are strictly limited and no lending is given against land only.

Buildings Insurance, sufficient to cover the reinstatement amount, is mandatory on all mortgaged properties.

The valuations of commercial properties are updated on a quarterly basis using MSCI's commercial property price indices based on region and property type. Residential valuations are indexed using the regional ONS house price indices. The indexed valuations are used to assess the risk of loss on individual loans and to monitor whether loan-to-value covenants are met. Where borrowers are more than two months in arrears, consideration is given to obtaining a professional valuation of the property.

Treasury: Credit risk on derivative exposures is significantly mitigated within the Group by the existence of a Credit Support Annex (CSA) with the vast majority of our derivative counterparties. Where collateral is received, this is in the form of cash.

The Society holds Covered Bonds and Securitisations which are backed by pools of residential mortgages. Regular due diligence is applied to ensure that these provide adequate cover.

(c) Main types of collateral taken by the institution to mitigate credit risk

Residential mortgages: Since Retail Mortgages represent the largest segment of the Society's lending, residential property is the main source of collateral. It is the sole source of collateral for retail mortgage lending. It is also the source of collateral for all residential BTL lending.

Commercial property: The Society also lends against a variety of industrial, retail, and other commercial units; the nature of these being constrained by policy guidelines. The lending policy ensures that the collateral is both in accordance with the Society's ethos and has a market risk within risk appetite limits. In every case a fully enforceable first legal charge must be granted to the Society.

Treasury: The Society mitigates credit risk associated with derivative exposures, through Credit Support Annexes with most of its derivative counterparties. Covered Bonds and Securitisations are backed by pools of financial assets, which are typically residential mortgages.

(d) Details of guarantees and credit derivatives used as credit protection

The Society does not use credit derivatives. There is no utilisation of explicit Government guarantees; however, certain counterparties do have implicit guarantees per CRR (Art 116).

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

Market and credit risk concentrations within the business as a whole, are managed with a variety of techniques, as outlined in the Society's Annual Report and Accounts for 2023. Whilst there will inevitably be some overlap when considering the credit mitigation taken, additional steps are taken specific to the mitigation itself.

When valuing properties used as collateral, the Society's policy dictates that concentration risk must be considered, by sector and geography, and factored into the valuation.

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

		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	5,226.4	46,200.4	46,200.4	–	–
2	Debt securities	7,561.8	–	–	–	
3	**Total**	**12,788.2**	**46,200.4**	**46,200.4**	**–**	**–**
4	Of which non-performing exposures	–	724.1	724.1	–	–
5	Of which defaulted	–	724.1			

ANNEX XIX : CREDIT RISK (STANDARDISED APPROACH)

UK CRD – Qualitative disclosure requirements related to standardised model

(a) ECAIs and ECAs nominated by the Society, and reasons for any changes

The Society uses credit ratings provided by the external credit assessment institutions (ECAI): Moody's and Fitch. Export Credit Agencies are not used.

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

The Society uses the ECAI credit ratings for assigning risk weightings to central governments, central banks, institutional and Covered Bond exposures, under the standardised approach.

(c) Process for transferring issuer and credit ratings onto comparable assets not included in trading book;

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

(d) Association of the external ratings with the prescribed credit quality steps

The credit ratings are converted to Credit Quality Steps using the European Banking Authority's mapping of credit agencies' assessments to Credit Quality Steps. Risk weights are derived in accordance with CRR Part 3 Title II Chapter 2.

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		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density
		£m	£m	£m	£m	£m	%
1	Central governments or central banks	5,964.4	–	6,205.0	–	48.3	0.8%
2	Regional government or local authorities	–	–	–	–	–	0.0%
3	Public sector entities	240.6	–	–	–	–	0.0%
4	Multilateral development banks	487.7	–	487.7	–	–	0.0%
5	International organisations	–	–	–	–	–	0.0%
6	Institutions	1,370.9	–	1,370.9	–	544.3	39.7%
7	Corporates	–	–	–	–	–	0.0%
8	Retail	–	–	–	–	–	0.0%
9	Secured by mortgages on immovable property	48,115.3	2,902.6	48,115.3	553.4	18,804.0	38.6%
10	Exposures in default	171.9	–	171.9	–	172.1	100.1%
11	Exposures associated with particularly high risk	–	–	–	–	–	0.0%
12	Covered bonds	3,333.6	–	3,333.6	–	333.4	10.0%
13	Institutions and corporates with a short-term credit assessment	777.1	–	777.1	–	155.4	20.0%
14	Collective investment undertakings	–	–	–	–	–	0.0%
15	Equity	–	–	–	–	–	0.0%
16	Other items	226.8	–	226.8	–	226.8	100.0%
17	**Total**	**60,688.4**	**2,902.6**	**60,688.4**	**553.4**	**20,284.3**	**33.1%**

UK CR5 – Standardised approach

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Risk weight															Total	Of which unrated
	Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Central governments or central banks	5,963.6	–	–	–	241.4	–	–	–	–	–	–	–	–	–	–	6,205.0	–
2	Regional government or local authorities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3	Public sector entities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	Multilateral development banks	487.7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	487.7	–
5	International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6	Institutions	–	–	–	–	470.5	–	900.4	–	–	–	–	–	–	–	–	1,370.9	–
7	Corporates	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
8	Retail exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	Exposures secured by mortgages on immovable property	–	–	–	–	–	45,556.0	–	–	452.0	2,660.7	–	–	–	–	–	48,668.8	–
10	Exposures in default	–	–	–	–	–	–	–	–	–	171.6	0.3	–	–	–	–	171.9	–
11	Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12	Covered bonds	–	–	–	3,333.6	–	–	–	–	–	–	–	–	–	–	–	3,333.6	–
13	Exposures to institutions and corporates with a short-term credit assessment	–	–	–	–	777.1	–	–	–	–	–	–	–	–	–	–	777.1	–
14	Units or shares in collective investment undertakings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15	Equity exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
16	Other items	–	–	–	–	–	–	–	–	–	226.8	–	–	–	–	–	226.8	–
17	**Total**	**6,451.4**	**–**	**–**	**3,333.6**	**1,488.9**	**45,556.0**	**900.4**	**–**	**452.0**	**3,059.1**	**0.3**	**–**	**–**	**–**	**–**	**61,241.9**	**–**

ANNEX XXV : COUNTERPARTY CREDIT RISK

UK CCRA – Qualitative disclosure related to CCR

(a) Methodology used to assign internal capital and credit limits for counterparty credit exposures

The Society uses the Standardised Approach to Counterparty Credit Risk (SA-CCR) for measuring such exposures. Credit Valuation Adjustments (CVA) are incorporated into the fair value of derivative valuations.

The Society has set a framework within which counterparty credit limits are assigned. A treasury credit matrix has been defined to limit and determine the maximum exposure to any counterparty. Each counterparty limit is subject to ALCO approval annually following internal recommendation through the Wholesale Credit Management Forum (WCMF). Each counterparty is subject to regular review and assessment against a 'CAMELS' framework:

- **C** Capital Adequacy
- **A** Asset Quality
- **M** Management Quality
- **E** Earnings
- **L** Liquidity
- **S** Sensitivity to Market Risk

The output of this assessment is used to determine a proposed limit to be recommended to ALCO.

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

To reduce its exposure to market risks, the Society uses derivative instruments. In turn, these derivatives have the potential to create counterparty credit risk. To minimise this risk, derivatives are cleared through a central clearing counterparty wherever possible; all of which are qualifying central clearing counterparties. All other derivatives are transacted with highly rated institutions on a collateralised basis, and under market standard documentation.

The use of market standard documentation (ISDA Master Agreements and Credit Support Annexes) helps to mitigate the risk of default by counterparties, through enabling the offsetting of balances with the same counterparty, and requiring cash collateral to be deposited, where appropriate, to reduce the mark-to-market exposures on derivatives.

(c) Policies with respect to Wrong-Way risk

Wrong-way risk arises when the credit quality of a counterparty deteriorates as exposure to that counterparty increases. This can occur as a result of specific factors relating to that counterparty, or general macroeconomic factors. The use of ISDA Master Netting Agreements, with Credit Support Annexes, materially mitigates this. The Society does not consider this to be a material risk.

(d) Any other risk management objectives and relevant policies related to CCR

The Society enters into Securities Financing Transactions (SFTs). These transactions demonstrate an ability to monetise the Liquid Asset Buffer and generate incremental income. The same principles used for managing general counterparty risk are applied also to managing those arising from SFTs, and mitigation is similar to the approach for derivatives. The Society enters into Global Master Repurchase Agreements (GMRA) with its SFT counterparties, which allow for the collateralisation of SFT exposures. Cash collateral is utilised to pay for all repurchase (repo) transactions and highly rated securities are received for reverse-repo transactions. Amounts are adjusted daily to reflect the change in the fair value of the underlying securities.

(e) Amount of collateral the Society would have to provide if its credit rating was downgraded

The Society enters into inter-company transactions with its Special Purpose Vehicles (SPVs) as part of the process of centralising the management of its interest rate risk exposures. These transactions are often subject to clauses which, when triggered by a downgrade to the Society's credit rating, result in a posting requirement for the Society. As at 31 December 2023, the LCR requirement aligned to a 3-notch ratings downgrade for the Society, equated to £1,103m.

As this is an LCR requirement, this is met in full by qualifying HQLA assets at all points, with the size of the exposure monitored on a daily basis.

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	£m	£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)	577.1	26.4		1.4	845.0	845.0	841.1	34.3
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)					11,814.2	2,554.5	2,554.5	5.6
5	VaR for SFTs								
6	**Total**					**12,659.2**	**3,399.5**	**3,395.6**	**39.8**

Where values are not required to be reported, owing to the size of YBS or other reasons, cells have been left blank.

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

		a	b
		Exposure value	RWEA
		£m	£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	78.7	49.4
UK4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5	**Total transactions subject to own funds requirements for CVA risk**	**78.7**	**49.4**

Where values are not required to be reported, owing to the size of YBS or other reasons, cells have been left blank.

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											Total exposure value
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Central governments or central banks	2,543.3	–	–	–	–	–	–	–	–	–	–	2,543.3
2	Regional government or local authorities	–	–	–	–	–	–	–	–	–	–	–	–
3	Public sector entities	–	–	–	–	–	–	–	–	–	–	–	–
4	Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–
5	International organisations	–	–	–	–	–	–	–	–	–	–	–	–
6	Institutions	–	698.9	–	–	–	85.9	–	–	–	–	–	784.8
7	Corporates	–	–	–	–	–	–	–	–	–	–	–	–
8	Retail	–	–	–	–	–	–	–	–	–	–	–	–
9	Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–
10	Other items	–	–	–	–	–	–	–	–	–	–	–	–
11	**Total exposure value**	**2,543.3**	**698.9**	**–**	**–**	**–**	**85.9**	**–**	**–**	**–**	**–**	**–**	**3,328.1**

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		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
	Collateral type	Segregated	Unsegregated	Segregated	Unsegregated		
		£m	£m	£m	£m	£m	£m
1	Cash	–	1,826.1	–	1,659.0	1,188.7	162.1
2	Debt	–	–	–	–	–	–
3	Equity	–	–	–	–	–	–
4	Other	–	–	–	–	8,071.0	11,652.0
5	**Total**	**–**	**1,826.1**	**–**	**1,659.0**	**9,259.7**	**11,814.2**

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UK CCR8 – Exposures to CCPs

		a	b
		Exposure value	RWEA
		£m	£m
1	**Exposures to QCCPs (total)**		15.9
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	4.2	0.1
3	(i) OTC derivatives	4.2	0.1
4	(ii) Exchange-traded derivatives	–	–
5	(iii) SFTs	–	–
6	(iv) Netting sets where cross-product netting has been approved	–	–
7	Segregated initial margin	–	
8	Non-segregated initial margin	800.3	16.0
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	–	–

ANNEX XXVII : SECURITISATION POSITIONS

UK-SECA – Qualitative disclosure requirements related to securitisation exposures

(a) Description of securitisation and re-securitisation activities

As an Originator

The Society has securitised certain mortgage loans, originated by Accord Mortgages Ltd (Accord), a wholly owned subsidiary of Yorkshire Building Society (YBS), by transferring mortgage loans to special purpose entities (SPEs). The securitisations provide YBS with funding through either the proceeds from the public sale of the notes, or contingent liquidity. The Society has two established stand-alone securitisation programmes, Brass and Tombac; both of which have issued several SPEs. As at year-end 2023, there was one Tombac SPE (which is a pass-through structure), and four Brass SPEs outstanding, each consisting of a separate revolving pool of mortgage loans which can be replenished, subject to eligibility criteria. The SPEs are fully consolidated into the YBS accounts. YBS does not use RMBS issuance programmes for regulatory capital relief purposes, as significant risk transfer is not achieved. Whilst the securitised mortgages have been legally sold to the SPE, they do not meet the de-recognition criteria for accounting purposes and the mortgage loans remain on the consolidated balance sheet. The Society substantially retains the risks and rewards from the underlying pool of mortgages through the receipt of profits or losses on the securitised loans.

The outstanding senior, Class A Notes, issued under both the Brass and Tombac programmes meet UK STS criteria, and are notified as STS-compliant with the FCA.

The Society does not have any synthetic securitisations or any re-securitisations outstanding.

As an Investor

The Society invests in highly-rated securitisation tranches, to be held in the Liquid Asset Buffer (LAB) which is used to meet the Society's liquidity requirements. In line with Board Risk Appetite, the Treasury Credit Policy restricts securitisation investment to senior, high quality and liquid Residential Mortgage Backed Securities (RMBS) which are denominated in GBP and are backed by Prime UK residential property. All RMBS Investments satisfy the "simple, transparent and standardised" (STS) criteria.

(b) The type of risk exposure in securitisation and re-securitisation activities

(i) The RMBS securitisation programmes issue Class A notes and unrated Class Z notes. The majority of Class A notes are retained (£9.09bn) to provide contingent funding, with the remaining Class A notes being issued to investors (£0.69bn). All Class Z notes are retained and are subordinated to the Class A notes to provide credit enhancement for the securitisations. All of the listed notes issued by the securitisation programmes are rated by Moody's and Fitch as Aaa/AAA respectively.

The Society, including any subsidiary, is under no obligation to support any losses that may be incurred by the securitisation programmes or holders of the notes issued.

(ii) The Society's securitisation investments, all of which are held in the LAB portfolio, are Aaa/AAA rated senior notes backed by prime UK residential mortgage loans. The Society is exposed firstly to the credit quality of the underlying borrower, particularly the risk of unemployment (which impacts Probability of Default), and house price movements, impacting Loss Given Default. The Society is also exposed to the 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.

(c) Approaches to calculating the risk-weighted exposure amounts applied to securitisation activities

The Society uses the External Ratings Based Approach (SEC-ERBA) to calculate capital requirements for all securitisation exposures.

(d) Categorised list of SSPEs

i) SSPEs which acquire exposures originated by the institutions:

Brass no. 8 plc
Brass no. 9 plc
Brass no. 10 plc
Brass no. 11 plc
Tombac no. 3 plc

ii) SSPEs sponsored by the institutions:

The Society has no such SSPEs

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

The Society has no such SSPEs

iv) SSPEs included in the institutions' regulatory scope of consolidation:

The Society has no such SSPEs

(e) Legal entities to which the Society has provided support in accordance with Chapter 5 of Title II of Part Three CRR

The Society has not provided support to any such entities as the 'no significant risk transfer' test has been satisfied, per CRR Article 247 (2).

(f) Legal entities affiliated with the Society that invest in securitisations originated by, or sponsored by, the Society

There are no such entities.

(g) Summary of accounting policies for securitisation activity

As Originator/Sponsor

The Society has sold mortgages to the securitisation vehicles. However, these mortgages continue to be recognised on the Society's balance sheet. The mortgages do not qualify for derecognition because the Society remains exposed to the risks and rewards of ownership on an ongoing basis. It is exposed primarily to the credit risk, liquidity risk, and interest rate risk of the mortgages. The Society is also exposed to the residual rewards of the mortgages as a result of its ability to benefit from the future performance of the mortgages, through the receipt of deferred consideration. The externally held Class A Notes are initially recognised at fair value, being the issue proceeds net of transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. To avoid grossing up the balance sheet, the retained Class A and Z notes, and the equivalent deemed loan, together with the related income, expenditure and cash flows, are not recognised in the Society's consolidated Annual Report and Accounts.

As investor

The Society's accounting policy for securitisations follows the business model decision. If the intention is to 'hold to collect and sell' then the securitisation position is accounted for as FVOCI. If the intention is to hold to maturity it is accounted for at amortised cost. In all cases the Society's securitisation positions pass the 'Solely Payments of Principal and Interest' ('SPPI') test; therefore, none is accounted for as FVTPL. Currently all of the Society's securitisations are accounted at amortised cost.

(h) ECAIs used for securitisations and the types of exposure for which each agency is used

As a Sponsor

Class A notes issued by Society Sponsored securitisation programmes are rated by Moody's and Fitch as Aaa/AAA respectively.

As an Investor

Our appetite for new RMBS purchases, subjects them to a minimum rating by Moody's and Fitch of AAA/Aaa respectively, and limited to assets eligible with the Bank of England under the Sterling Monetary Framework.

(i) Description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three CRR

Not applicable. The Society has adopted the SEC-ERBA approach.

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		
			of which SRT		of which SRT											
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	**Total exposures**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**402.8**	**–**	**–**	**402.8**
2	Retail (total)	–	–	–	–	–	–	–	–	–	–	–	402.8	–	–	402.8
3	residential mortgage	–	–	–	–	–	–	–	–	–	–	–	402.8	–	–	402.8
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-SEC4 – Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution 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			
		≤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**	**402.8**	**–**	**–**	**–**	**–**		**402.8**				**40.3**				**3.2**		
2	Traditional securitisation	402.8	–	–	–	–		402.8				40.3				3.2		
3	Securitisation	402.8	–	–	–	–		402.8				40.3				3.2		
4	Retail underlying	402.8	–	–	–	–		402.8				40.3				3.2		
5	Of which STS	402.8	–	–	–	–		402.8				40.3				3.2		
6	Wholesale	–	–	–	–	–		–				–				–		
7	Of which STS	–	–	–	–	–		–				–				–		
8	Re-securitisation	–	–	–	–	–		–				–				–		
9	Synthetic securitisation	–	–	–	–	–		–				–				–		
10	Securitisation	–	–	–	–	–		–				–				–		
11	Retail underlying	–	–	–	–	–		–				–				–		
12	Wholesale	–	–	–	–	–		–				–				–		
13	Re-securitisation	–	–	–	–	–		–				–				–		

Where values are not required to be reported, owing to the size of YBS or other reasons, cells have been left blank.

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		
		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**	10,761.5	56.7	–
2	Retail (total)	10,761.5	56.7	–
3	residential mortgage	10,761.5	56.7	–
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	–	–	–

ANNEX XXIX : MARKET RISK

UK MRA – Qualitative disclosure requirements related to market risk

(a) The institution's strategies and processes to manage market risk

Market risk is the risk to earnings and capital arising from changes in interest rates, foreign currency exchange rates, structural mismatches within the balance sheet, and the price of financial instruments. The Society does not have a trading book, so its market risk only arises from its banking book. The primary objective of the Society is that any market risk that is generated is largely neutralised via the use of appropriate derivatives or internal position matching within the balance sheet. The Society embraces the 'Comprehensive' approach to market risk management (as set out in Supervisory Statement SS20/15).

Market risk is constrained by a Board approved risk appetite, which is further governed through the Market Risk Policy. The Society adopts a risk-averse approach to interest rate mismatch, although some scope for position taking is allowed, subject to the agreed risk appetite. The Society operates a wide range of measures and scenarios to review this risk in respect of both earnings and value; and a set of internal stress tests to ensure that market risk is within an acceptable range over a series of rate scenarios.

(b) The structure and organisation of the market risk management function

The Society's risk management structure reflects the three lines of defence model. These are summarised below:

- Senior Leadership Team members are responsible for ensuring that their function complies with the market risk policy. They specifically make sure that risks are identified, assessed, and managed within agreed risk appetite. First line of defence (1LoD) risk teams are responsible for developing and operating governance structures within their business divisions to facilitate 1LoD management control.
- Prudential Risk is responsible for second line of defence (2LoD) oversight and monitoring. Prudential Risk creates an annual plan of monitoring activity which encompasses policy compliance, key risk oversight, the effectiveness of risk management processes and their application within the Society.
- Internal Audit is responsible for performing independent reviews of 1LoD and 2LoD risk management activities. The Internal Audit function is the third line of defence (3LoD) in the Society's risk management model. Internal Audit supports the Society's risk management objectives by expressing an independent opinion to the Board regarding the Society's risk management, governance, and internal control processes.

Risk Policies and Risk Appetite are reviewed and approved by ERC prior to approval by GRC and Board. Where significant updates to the policy are required by the business, they are proposed to ERC. The responsibility for the management of market risk rests with ALCO.

(c) Scope and nature of risk reporting and measurement systems

The Society is exposed to market risk, primarily from the onboarding of retail and commercial assets and liabilities, but also from a range of Treasury liquidity and funding activities. Market risk is measured, monitored and managed from both an internal and regulatory perspective. The Board is responsible for setting market risk appetite and the Asset and Liability Committee (ALCO) is responsible for managing the society's market risk profile. Market risk is managed within a comprehensive risk framework which includes policies, limit setting/monitoring, stress testing and robust governance controls. This includes setting and monitoring more granular limits and key risk indicators (KRIs), with relevant risk metrics reported monthly to ALCO. A variety of regulatory reports are submitted according to the timescales required by the relevant authorities, ranging from monthly to quarterly. Governance and controls are also in place for the models and systems which are used to measure interest rate risk.

The Society's market risk management framework features the periodic assessment of interest rate risk metrics against internal and regulatory risk limits. The following value and earning metrics are calculated:

- **Net Interest Income (NII) Sensitivity** – This is calculated monthly and assesses potential changes to earnings as a result of changes in interest rates and related customer behaviour over a 12-month period. A forecast balance sheet is used, which assumes the reinvestment of maturing assets and liabilities in like-for-like products, with product-specific characteristics, such as explicit rate floors, factored into the computation.
- **Economic Value of Equity (EVE)** – This is measured quarterly and calculated in line with PRA guidance. All six prescribed rate shocks are assessed, and optionality stresses are factored in; and
- **VaR and Basis Point Sensitivities** – Both are measured and reported daily. Normal and stressed VaR are measured on a statistical basis using a 99% confidence interval, based on daily changes in rates (using a history set of up to 15 years), with a 10-day holding period. Basis point sensitivity shows the market value change on the society's balance sheet due to a 1bp parallel increase rates.

While EVE and NII sensitivities are measured on a quarterly and monthly frequency respectively, they can be assessed more frequently in the event of rapidly changing market conditions.

ANNEX XXXI : OPERATIONAL RISK

UK ORA – Qualitative information on operational risk

(a) Disclosure of the risk management objectives and policies

The Society has adopted the standardised approach to all operational risks and has defined operational risk as: "the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems, or from external events".

Operational risk is managed in accordance with the Society's Enterprise Risk Management Framework, which sets out the high-level requirements and responsibilities for identifying, managing and assessing risks. The Framework, also helps ensure the Society delivers its strategy within an appropriate culture; helps protect the Society from unplanned financial outcomes; helps protects the Society's members and customers from unfair outcomes; and demonstrates credibility to external stakeholders.

The Society operates a 'three lines of defence' model towards risk management which seeks to differentiate those with direct responsibility for the management and control of risk; those with oversight responsibility across the effectiveness and integrity of the enterprise risk management framework; and those providing independent assurance across the first and second lines of defence.

The Board, through its Group Risk Committee (GRC) is responsible for overseeing the effectiveness of risk management in the Society. The Executive Risk Committee holds delegated authority from the GRC and is responsible for: setting risk appetites and exposure limits; monitoring and reviewing risk exposures; reviewing the outcomes of stress testing and scenario analysis to define the level of capital required to recover from a severe stress event; ensuring controls are adequately designed and operating effectively; ensuring the Society meets legal and regulatory requirements; and clearly reporting risks and exposures to the GRC and the Board.

The Society has defined nine 'tier 1' principal risk categories, of which operational and conduct risks are two. Within operational and conduct risks there are a further 19 'tier 2' risks, including business continuity, customer treatment, information security, sales suitability & marketing, and third party. These risks arise from activities such as developing new products and services, implementing new technologies and working with third parties.

(b) Disclosure of the approaches for the assessment of minimum own funds requirements

The Society uses the Standardised approach for the assessment Pillar 1 operational risk requirements.

(c) Description of the AMA methodology approach used (if applicable)

This is not applicable since the Society does not use the Advanced Measurement Approach.

(d) Disclose the use of insurance for risk mitigation in the Advanced Measurement Approach (if applicable)

This is not applicable since the Society does not use the Advanced Measurement Approach.

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

	Banking activities	a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		2021	2022	2023		
		£m	£m	£m	£m	£m
1	Banking activities subject to basic indicator approach (BIA)	–	0	0	–	
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	577.6	808.3	786.4	106.0	1,325.2
3	Subject to TSA:	577.6	808.3	786.4		
4	Subject to ASA:	–	–	–		
5	Banking activities subject to advanced measurement approaches AMA	0	0	0	0	

ANNEX XXXIII : REMUNERATION POLICY

UK REMA – Remuneration policy

The following disclosures are made by the Yorkshire Building Society ('YBS' or the 'Society') in accordance with relevant parts of the PRA Rulebook.

(a) Information relating to the bodies that oversee remuneration. Disclosures shall include:

i) Name, composition and mandate of the main body (management body or remuneration committee as applicable) overseeing the remuneration policy and the number of meetings held by that main body during the financial year.

The Remuneration Committee (the 'Committee'), comprising of at least three members, all of which are independent Non-Executive Directors ('NEDs'), oversees the development and implementation of the YBS Society wide remuneration policy for all colleagues. This includes for Executive Directors and Material Risk Takers (MRTs), and major subsidiary undertakings as appropriate. The Committee drives alignment to business strategy, regulatory compliance and the long-term sustainable success of the Society.

The Committee has specific responsibility for the alignment of incentives and rewards with the Society's culture and values, taking these into account when setting the remuneration policy for all colleagues as well as determining and overseeing the Society's policy on equal pay and non-discrimination. In fulfilling those responsibilities, the Committee seeks input from a range of stakeholders, including the Group Risk Committee ('GRC'), in order to ensure that the Society's practices promote sound and effective risk management and do not encourage risk-taking that exceeds the firm's Risk Appetite.

The Committee normally meets at least 4 times a year and at such other times as the Committee Chair or any members of the Committee requests. There were eight Committee meetings held during 2023.

Full details of the Committee's composition and activities during the year can be found in the Directors' Remuneration Report set out in the Annual Report and Accounts 2023 and the Committee's full Terms of Reference are available at www.ybs.co.uk /your-society/inside-your-society/corporate-governance/committees.

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

Ernst & Young LLP (EY) is appointed as external advisor to the Committee to support it in performing its duties. During the year, the Committee sought advice from EY regarding:

i. the development and execution of remuneration policy that aligns to the Society's business strategy and culture;
ii. external market practice;
iii. alignment with evolving remuneration regulatory expectations (including the UK Remuneration Codes and other regulatory requirements); and
iv. training and updates for Committee members.

As set out in the Annual Report and Accounts 2023, the Committee is satisfied that the advice received is objective and independent.

In addition, further to the advice received from EY, additional advice was obtained from Willis Towers Watson and Deloitte LLP, who provided support and guidance on the review of the Executive Directors Remuneration Policy. This included market benchmarking, as well as guidance relating to variable pay structures.

iii) A description of the scope of the institution's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries.

The Society's overarching remuneration strategy and policy apply to all colleagues within YBS. Where specific requirements apply to individuals identified as MRTs, further details are included elsewhere in this disclosure.

iv) A description of the staff or categories of staff whose professional activities have a material impact on the Society's risk profile.

YBS identifies MRTs in accordance with the provisions set out in the Remuneration Part of the PRA Rulebook, in line with FCA Guidance. MRTs identified, are deemed to have, or potentially have, a material impact on the risk profile of the Society.

Those identified as MRTs include, but are not limited to:

- Executive and Non-Executive Directors of the Society;
- Other colleagues with key functional or managerial responsibility, including Senior Managers of control functions such as Audit and Risk;
- Other risk takers, including those identified against the Society's internally developed criteria, whose professional activities could have a material impact on its risk profile; and
- Employees entitled to significant total remuneration in the preceding financial year, any employee performing professional activities with a Material Business Unit with significant impact on risk profile, whose total remuneration is equal to or greater than the average remuneration awarded to the members of the firm's management body and senior management.

(b) Information relating to the design and structure of the remuneration system for identified staff. Disclosures shall include:

i) An overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders.

The Society's approach to remuneration is designed to attract, recognise, motivate and retain high performing colleagues required to achieve our strategic objectives, drive sustainable growth and to encourage all colleagues to act in accordance with our desired values, behaviours, risk appetite and performance standards.

Accordingly, the Society's Remuneration Policy is underpinned by YBS's commitment to long term member value, and delivery of long–term strategic objectives, community commitments and the sustainability of financial performance. The Society strives for equality and gender neutrality in its remuneration arrangements.

The Remuneration Policy is reviewed annually by the Committee. It is also subject to a central and independent review with input from the control functions to ensure compliance with relevant remuneration regulations and internal policies.

Proposed changes to reward policies and practices may also be reviewed at the Performance & Reward Committee, prior to review by the Committee. The Performance & Reward Committee includes representatives from the Risk function (second line Directors of Compliance and Enterprise Risk Management with delegated authority from the Chief Risk Officer). This helps ensure that any conflict of interest is mitigated, and that regulatory compliance is achieved.

The Society's aim is to build a working environment where colleagues feel engaged and committed to YBS's journey, ensuring they feel valued and respected to give their best. Our reward offering is integral to that; with an approach founded in our mutuality and values, it encourages our colleagues to work together for the benefit of the Society and our members and customers.

The Remuneration Committee has specific responsibility for making sure we have the right policies and processes in place for Chief Officers (including those that are Executive Directors) of the Society, and individuals identified as MRTs, as well as the overarching Remuneration Policy and pay practices that impact all colleagues within the Society. The purpose of the Remuneration Committee is to oversee the Remuneration Policy in place for the Society, making sure this aligns to our business strategy and any regulatory requirements. The Society ensures it remains competitive in the financial services market through regular market reviews. This includes market benchmarking our roles, utilising a bespoke peer group consisting of Building Societies and Category One UK Banks, to ensure remuneration is positioned at a level that supports the attraction and retention of the required talent and capability.

Remuneration at YBS comprises three elements which are applicable for all colleagues, including MRTs. The exception to this is the Non-Executive Directors ('NEDs'), who instead, are paid a fee which is reviewed at least annually.

Base Salary

All colleagues receive base salaries. Base salary levels are typically reviewed at least annually and determined by reference to; role and responsibilities; skills, knowledge and experience; ongoing performance; demonstration of the Society's values and behaviours; comparison to the external market; internal relativities; and affordability. The purpose is to attract and retain high performing colleagues.

Benefits

Colleagues have access to life assurance, insured sick pay, and savings accounts, as part of a competitive reward package. Some benefits provided are dependant on career framework level for example, Private Medical Insurance. YBS operates a single defined contribution pension scheme, and all colleagues have the opportunity to participate, with the Society contributing a minimum of 7% up to a maximum contribution (or cash allowance) of 11%.

Variable Pay

Variable pay for the 2023 performance year is delivered via two annual variable pay schemes:

i. the Building Together scheme; and
ii. the Leading for Value scheme.

The "Building Together Scheme" (comprising both "All Colleague" and SLT elements) is in place to drive the achievement of the Society's financial and strategic targets and, for SLT members, the delivery of personal objectives relevant to the Society's strategic objectives. A collective approach to variable pay serves to reinforce our target culture of 'working together' whilst maximising the value we derive from our performance development process.

The Leading for Value scheme is in place to ensure that SLT remuneration has a direct link to multi-year performance. The success of the Society, supporting delivery of long-term strategic objectives, protecting and creating sustainable long-term performance and long-term member value, and colleague interests, in line with our company values.

The Directors Remuneration Report, set out in the Annual Report and Accounts 2023 provides an overview of the 2023 performance and pay outcomes for the Executive Directors of the Society, as well as a summary of remuneration policies for all employees (including MRTs, Executive Directors and NEDs).

ii) Information on the criteria used for performance measurement and ex ante and ex post risk adjustment.

At YBS our performance management approach places equal importance on both what an individual has delivered, and how the individual has achieved this. Behavioural expectations ('how' people will achieve their objectives) are set in the context of our wider purpose and strategy, ensuring our colleagues are working in a focussed and purposeful way to achieve our priorities.

The overall performance of the Society is assessed against both financial and non-financial criteria.

The Society ensures that its remuneration practices do not encourage risk taking in excess of its risk appetite It does this in a number of ways:

- The GRC oversees the risk governance framework, providing an entity-wide perspective on all risk matters, and approves the Risk Appetite for the business. Supported by the attendance of NEDs at both GRC and the Committee;
- The Risk Appetite provides the business with its mandate for taking risk in its business activities for the following year. It is an annual programme, with quarterly measures and reporting against a Red, Amber and Green (RAG) framework. This allows the Society to deliver sustainable financial performance whilst ensuring positive outcomes and experience for customers. A broader culture of risk management and controls is well embedded across the Society through the operation of the enterprise-wide risk assessment processes;
- The Society operate a "Three Lines of Defence" model for risk management. Where the first line comprises the business operations, and their responsibility is to manage risk on a day-to-day basis (framework of control self-assessment). The second line perform oversight and monitoring of risks, including adherence to risk appetite. The third line perform an internal audit assurance programme, which is deployed to monitor and detect any control failures and ensure that adequate controls are in place and functioning correctly. This work is evidenced through formal reporting to Board and related committees, and the tracking of agreed remedial actions, including any customer remediation programmes, to ensure actions are undertaken in a timely manner and within the risk appetite;
- We have robust processes for considering risk and conduct as part of individual performance management, with outcomes reflected in individual remuneration decisions. Line managers have primary accountability for ensuring that risk and conduct issues are considered when assessing performance and making remuneration decisions.
- The Pre-Grant Assessment process for the SLT Leading for Value variable pay scheme, supports the Committee in determining the on-target and maximum percentage award opportunity for plan participants. It considers both individual and business performance (including risk) for the preceding year, participants' total direct compensation relative to the market, an assessment of the financial and non-financial sustainability of the Society, and external market conditions.

The Society's Business Control Overlay (BCO) process provides an assessment of both current and future risk issues and considers whether any adjustments should be made to collective variable pay schemes or any individual variable pay awards, in the current year by use of malus, and the previous year by use of clawback.

The BCO process incorporates a review in relation to the following areas:

i. Performance in relation to risk appetite;
ii. Internal audit assessment (incorporating items including overdue actions, repeat findings, severity of findings etc); and
iii. Financial assessment (including cost and capital sustainability).

The key control function Chief Officers (Risk and Audit) as well as our Chief Finance Officer produce formal bi-annual updates to the Committee (and to GRC and Audit Committee ['AC'] respectively for Chief Risk and Chief Internal Audit Officers). These functions also report monthly to ensure there is no time delay on any issues identified.

In instances where issues are identified, the Committee reserves the right to apply a malus adjustment (reduce any variable pay awards or lapse deferred elements) and to apply clawback (recover variable pay payments already made) as appropriate.

Awards are subject to clawback for up to a maximum of ten years, and 100% of deferred variable pay awards are subject to future performance adjustments.

Malus may be applied where:

- there is reasonable evidence of misbehaviour, material error or misconduct, as well as fraud (including where an eligible colleague fails, in the opinion of RemCo, to meet appropriate standards of fitness and propriety) and/or material breach of any law, regulation or code of practice by the colleague; or
- there is reasonable evidence that an Eligible Colleague has participated in or been responsible for conduct. This has resulted, or is in the reasonable opinion of RemCo likely to result in significant losses to the Society, or the relevant business unit in which the Eligible Colleague is engaged. This includes where a bonus or similar award has been made on the terms of any assumption as to which later transpires to be incorrect; or
- the Society, or the relevant business unit in which the Eligible Colleague is engaged suffers a material downturn in its financial performance; or
- the Society or the relevant business unit in which the Eligible Colleague is engaged suffers a material failure of risk management; or
- there is a material misstatement of the Society's audited results; or
- at RemCo's reasonable discretion, it considers it appropriate to do so.

Clawback may be applicable where there is reasonable evidence of colleague misbehaviour or material error, or there is material failure of risk management at a Society or business unit level.

In reaching its determination of an appropriate level of ex post risk adjustment, the Committee considers a range of factors through the application of the Business Control Overlay (BCO) process, including but not limited to;

- The cost of fines and other regulatory actions;
- The direct and indirect financial losses attributable to the 'relevant event';

- Reputational damage;
- The impact of the 'relevant event' on our relationships with our stakeholders including customers, employees, creditors, the taxpayer, counterparties, and regulators;
- The impact on profitability from the 'relevant event' (e.g. profit before tax) – actual/accounting and provisioned;
- The timeframe during which the event occurred and whether losses/costs are still accumulating;
- The extent of customer detriment (e.g. number and value of mis-sold policies);
- Redress costs; or
- The disruption caused and the impact on our strategic targets.

iii) Whether the management body or the remuneration committee where established reviewed the Society'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 Remuneration Policy is reviewed annually by RemCo. Following the review carried out in 2023, changes have been proposed in the following areas;

- Consolidation of the two variable pay schemes of which our MRT's were eligible into one new scheme (to aid simplification).
- Alignment of the performance measures which apply to the Society's variable pay schemes to the new strategy (including the strengthening of the link between personal performance and variable pay).
- A reduction in the on-target opportunity for Executive Directors, excluding the Chief Executive in order to more closely align potential outcomes to market benchmarking. No change to maximum opportunity level for Executive Directors.
- Changes to the on-target and maximum opportunity for a number of MRT roles below Executive Director level in order to more closely align potential outcomes to market benchmarking.

These proposed policy changes are subject to Member approval at the 2024 Annual General Meeting (AGM), and if approved would come into effect for the 2024 performance period.

Further details of the proposed changes to the Remuneration Policy can be found in the Directors Remuneration Report section of the Society's 2023 Annual Report and Accounts.

iv) Information of how the Society ensures that staff in internal control functions are remunerated independently of the businesses they oversee.

At YBS, colleagues in the control functions operate independently from the businesses that they oversee. As an example, the second line risk team report into the Chief Risk Officer who reports directly into the CEO and is also accountable to the GRC.

The third line team is Internal Audit. The Chief Internal Audit Officer (CIAO) is also independent from the business and reports directly into the CEO and is accountable to the Audit Committee.

The individual performance objectives of internal control function colleagues do not relate to the objectives of the business areas they oversee – focusing instead on their functional responsibilities, such as providing assurance to the Board that risks are being managed.

The objectives and Leading for Value variable pay opportunity for the Society's Chiefs responsible for the leadership of the Risk Function and Internal Audit Function, are reviewed and ratified by the appropriate Committee Chair (Chair of Group Risk Committee and Audit Committee).

Colleagues at career framework levels of A-E participate in the "Building Together Scheme" variable pay scheme, which has an on-target payment of 7% of basic salary. The majority of these colleagues' remuneration package is therefore made up of fixed pay.

The senior leaders of these functions (career framework levels of F upwards) also participate in the 'Building Together' and Leading for Value variable pay schemes. Whilst the schemes include metrics based on the overall financial performance of the Society, it is not primarily driven by sales related metrics but rather, sustainable profit, customer service, transformation and ESG measures.

The Committee and the CEO review the individual variable opportunity within the Leading for Value scheme for the relevant control function MRTs (including those within risk management and compliance). This supports the management of conflicts to ensure the awards do not incentivise any dysfunctional behaviour in regard to their oversight of the business, or the performance measures that drive the variable pay scheme's outcomes.

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 would always be limited to new hires in the first year of service. Any such payments would be made in line with the requirements of all relevant remuneration regulatory provisions, including but not limited to, the Remuneration Part of the PRA Rulebook, and the FCA's Dual-Regulated Firms' Remuneration Code.

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

Any such payments would be subject to Committee approval.

(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration.

The Committee has oversight of the entire variable pay pool, (aggregate variable pay awards) and specific oversight for the MRT population and takes a number of factors into account, as set out in section (b) above.

Current, emerging, and future risks are monitored monthly through the Society's BCO process (this includes assessment against financial, risk appetite and audit metrics).

The Society monitors risk across a range of risk categories, including credit and counterparty risk, market risk, liquidity risk, operational risk, concentration risk, residual risk, securitisation risk, interest rate risk in the non-trading book and risk of excessive leverage.

The Committee may adjust the variable pay pool where it deems appropriate in light of any emerging, potential or crystalised risks which may be identified through the Society's risk framework.

The Committee may also further defer, reduce or cancel the payment of unvested deferred variable remuneration where it deems appropriate in light of any emerging, potential or crystalised risks.

Details of the approach to ex post risk adjustment are included in section (b).

(d) The ratios between fixed and variable remuneration.

Remuneration is delivered in a proportion of fixed and variable components. The variable pay elements are subject to appropriate limits and are calculated as a percentage of 'eligible earnings' for the 2023 performance period.

As part of the Directors' Remuneration Policy vote at the 2021 AGM, the Society obtained member approval to increase the maximum variable pay opportunity to 125% for the CEO. The maximum variable pay opportunity for other Chief Officers in 2023 was 100% and Directors 75%.

All variable pay awarded in respect of the year ending 31 December 2023 operated within the limits above.

Further details in relation to our approach to remuneration (and the proposed changes for 2024) can be found in the Directors' Remuneration Report section of the Society's 2023 Annual Report and Accounts.

(e) Description of the ways in which the Society seeks to link performance during a performance measurement period with levels of remuneration. Disclosures shall include:

i) An overview of main performance criteria and metrics for Society, business lines and individuals.

Colleagues are rewarded for working together to deliver the Society's strategy of creating long term value for members, creating a sustainable, inclusive, and diverse business, and supporting both members and local communities. Variable pay awards are determined based on an assessment of financial and non-financial targets which are aligned to the Society's strategic priorities.

Specifically, the variable pay scheme outturns are determined in relation to financial performance, (Core Profit Before Tax 'PBT'), customer experience, (Net Promoter Score 'NPS') and a risk overlay. Failure to meet these gateways will result in reduction of the variable pay pool to zero.

The threshold level of financial performance required is set with reference to the Society's sustainability target, which is based on the level of profit required to build our capital to maintain an adequate capital position, assuming our medium-term growth aspirations. The level of variable pay award available is capped, to ensure that there is no incentive to drive profits to an unacceptable level in the aim of increasing variable remuneration.

ii) An overview of how amounts of individual variable remuneration are linked to Society-wide and individual performance.

Awards of variable remuneration at YBS are based on the performance of the overall Society in sharing and creating long term value for members, creating a sustainable, inclusive, and diverse business, and supporting both members and local communities. The individual performance of each MRT against their personal objectives is also considered. The Leading for Value variable pay scheme ensures that individuals and Society-wide measures are assessed across a longer timeline, linked to the Society's purpose and strategy.

As set out in section (b) the Pre-Grant Assessment process for the SLT Leading for Value variable pay scheme, considers individual and business performance for the preceding year and an assessment of the sustainability of YBS, and external market conditions. For all MRTs, performance is measured using an appropriate balance of financial and non-financial measures, with risk and capital underpins in addition to holistic consideration of the Society's overall performance, in line with risk appetite.

Bi-annual reports are submitted to the Committee as part of the BCO process which consider performance against the Society's risk appetite, internal audit assessment and financial assessment (including cost and capital sustainability).

Objectives for MRTs are reviewed and submitted to the Committee for approval annually and performance against these objectives is reviewed at mid-year. At the end of the performance year the achievement of objectives and subsequent fixed and variable pay delivery is reviewed and approved by the Committee.

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

In line with the requirements of the Remuneration Part of the PRA Rulebook, and the FCA's Dual-Regulated Firms' Remuneration Code, at least 50% of variable remuneration awarded to MRTs is made in non-cash instruments (subject to de-minimis thresholds being met). For YBS, this is referred to as a 'Share Equivalent Instrument (SEI). The value of SEIs are subject to re-valuation prior to payment, ensuring that payment is only made where the Society has demonstrated financial sustainability.

Given the Society's mutual status, other forms of non-cash instrument are not available for the purposes of meeting the requirements of the Remuneration Part of the PRA Rulebook, and the FCA's Dual-Regulated Firms' Remuneration Code, and the Committee has determined that our approach is appropriate.

iv) Information of the measures the Society will implement to adjust variable remuneration in the event that performance metrics are weak, including the Society's criteria for determining "weak" performance metrics.

The outturn of the variable pay schemes is based on Society performance against agreed targets, with maximum target and threshold levels of performance determined by the Committee at the start of the performance period. Awards are determined following the end of the performance period and the extent to which the performance targets have been satisfied. No awards will be made where performance has not met the threshold target. For further detail please see above.

(f) Description of the ways in which the Society seeks to adjust remuneration to take account of long-term performance. Disclosures shall include:

i) An overview of the Society'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.

Variable pay award deferral ensures that the Society delivers variable pay over a multi-year period, in a manner that mitigates unnecessary risk taking, whilst achieving a level of sustainable performance.

YBS is a proportionality Level 1 firm in the UK and therefore applies the requirements of the Remuneration Part of the UK's Prudential Regulation Authority ('PRA') Rulebook, and the Financial Conduct Authority's ('FCA') Dual-Regulated Firms Remuneration Code in full. In line with these requirements, where an MRT's annual variable remuneration (a) does not exceed £44,000 and (b) does not represent more than one third of the MRT's total annual remuneration, requirements relating to deferral, payment in instruments, and post-vesting retention periods, are disapplied and colleagues are classified as "de minimis" MRTs.

For all MRT colleagues (except "de minimis") deferral of a greater proportion (dependent on role accountabilities) of their variable pay award, and a longer deferral period (up to 7 years), is required by the Regulations:

i. All Executive Directors' have a 60% deferral in place and all other MRTs have a 40% deferral;
ii. Where also required by the regulations, 50% of the variable pay award will be delivered as a Share Equivalent Instrument (SEI), which is subject to a further retention period (SEI Retention Period). Colleagues affected in this way will be informed of the specific deferral arrangements applicable to them, by the Society.

For "de minimis" MRT colleagues, YBS chose to apply the following arrangements to variable pay awards for members of SLT at career framework level F or above:

i. Year 1 – 50% of any variable pay award earned is paid out in cash on Payment Date following the Performance Period;
ii. Year 2 – 25% of any variable pay award earned is paid out in cash on Payment Date following the Performance Period;
iii. Year 3 – The final 25% of any variable pay award earned is paid out in cash on Payment Date following the Performance Period.

There were no deferrals applied to variable pay awards for MRTs who are at career framework level E and below as they all fall below the de minimis threshold, and deferral would be deemed disproportionate to the level of variable pay awarded.

ii) Information on the Society's criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law).

All variable pay awards made to MRTs are subject to malus and clawback arrangements. For higher paid MRTs whose total remuneration is greater than £500,000 or where their variable remuneration is greater than 33% of total remuneration, awards are subject to clawback for a period of seven years (extendable to ten for those who perform a PRA senior manager function). Awards made to all other MRTs are subject to clawback for a period of one year in line with regulatory requirements. The circumstances in which ex post adjustment may be applied are set out in section (b) above.

(g) The description of 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. Disclosures shall include:

i) Information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non cash-instruments, options and other instruments.

Variable pay awards are made based on an assessment of performance against financial and non-financial targets aligned with the Society's strategic priorities. Further information is included in section (e) and in the Directors' Remuneration report set out in the Annual Report and Accounts 2023.

(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 of our Executive and Non-Executive Directors' can be found in the Directors' Remuneration report set out in the Annual Report and Accounts 2023.

(i) Information on whether the Society benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR.

i) For the purposes of this point, Society's that benefit from such a derogation shall indicate whether this is on the basis of point (a) and/or point (b) of Article 94(3) CRD. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.

YBS is a proportionality Level 1 firm in the UK, and therefore applies the requirements of the remuneration part of the PRA Rulebook, and the FCA's Dual-Regulated Firms' Remuneration Code in full. YBS applies the derogation laid down in Article 94(3)(b) of CRD where an individual's annual variable remuneration (a) does not exceed £44,000 and (b) does not represent more than one third of the individual's total annual remuneration. Where this derogation is applied, the Society applies the approach set out in section (f) of the code in relation to the application of deferral, payment in instruments, and retention policy. Details of the staff in relation to which this derogation was applied in respect of 2023 are set out below:

Number of staff benefiting from the derogation laid down in Article 94(3)(b) of CRD for 2023	Total Fixed Remuneration	Total Variable Remuneration
7	£553,064	£96,078

(j) Large Societies shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members in accordance with Article 450(2) CRR.

See tables UK REM1 to UK REM5.

UK REM1 – Remuneration awarded for the financial year

		a	b	a	b
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Fixed remuneration				
1	Number of identified staff	9	8	18	6
2	**Total fixed remuneration (£000)**	**736.6**	**2,966.8**	**3,258.0**	**328.4**
3	Of which: cash-based	736.6	2,966.8	3,258.0	328.4
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	–	–	–	–
	Variable remuneration				
9	Number of identified staff	9	8	18	6
10	**Total variable remuneration (£000)**	**–**	**2,306.5**	**1,632.9**	**28.0**
11	Of which: cash-based	–	1,153.3	850.5	28.0
12	Of which: deferred	–	607.9	313.0	–
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	–	1,153.3	782.4	–
UK-14b	Of which: deferred	–	607.9	313.0	–
UK-14x	Of which: other instruments	–	–	–	–
UK-14y	Of which: deferred	–	–	–	–
15	Of which: other forms	–	–	–	–
16	Of which: deferred	–	–	–	–
17	**Total remuneration (2 + 10)**	**736.6**	**5,273.4**	**4,890.9**	**356.5**

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

		a	b	c	d
		MB Supervisory function	**MB Management function**	**Other senior management**	**Other identified staff**
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards – Number of identified staff	–	2	–	–
2	Guaranteed variable remuneration awards -Total amount (£000)	–	1,098.7	–	–
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	–	–	–	–
7	Severance payments awarded during the financial year - Total amount (£000)	–	–	–	–
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 REM3 – Deferred remuneration

		a	b	c	d	e	f	UK – g	UK – h
	Deferred and retained remuneration	**Total amount of deferred remuneration awarded for previous performance periods**	**Of which due to vest in the financial year**	**Of which vesting in subsequent financial years**	**Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year**	**Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years**	**Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)**	**Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year**	**Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
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	4,143.6	502.7	3,640.9	–	–	–	427.6	105.7
8	Cash-based	1,927.2	277.5	1,649.7	–	–	–	277.5	–
9	Shares or equivalent ownership interests	–	–	–	–	–	–	–	–
10	Share-linked instruments or equivalent non-cash instruments	2,216.5	225.2	1,991.2	–	–	–	150.1	105.7
11	Other instruments	–	–	–	–	–	–	–	–
12	Other forms	–	–	–	–	–	–	–	–
13	Other senior management	960.7	206.8	753.8	–	–	–	164.8	42.0
14	Cash-based	563.0	164.8	398.2	–	–	–	164.8	–
15	Shares or equivalent ownership interests	–	–	–	–	–	–	–	–
16	Share-linked instruments or equivalent non-cash instruments	397.6	42.0	355.6	–	–	–	–	42.0
17	Other instruments	–	–	–	–	–	–	–	–
18	Other forms	–	–	–	–	–	–	–	–
19	Other identified staff	–	–	–	–	–	–	–	–
20	Cash-based	–	–	–	–	–	–	–	–
21	Shares or equivalent ownership interests	–	–	–	–	–	–	–	–
22	Share-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–	–	–
23	Other instruments	–	–	–	–	–	–	–	–
24	Other forms	–	–	–	–	–	–	–	–
25	**Total amount**	**5,104.3**	**709.6**	**4,394.7**	**–**	**–**	**–**	**592.4**	**147.7**

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

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

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

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						Total
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	
1	Total number of identified staff										41
2	Of which: members of the MB	9	8	17							
3	Of which: other senior management				–	7	–	9	2	–	
4	Of which: other identified staff				–	–	6	–	–	–	
5	Total remuneration of identified staff (£000)	737	5,273	6,010	–	1,891	357	2,501	499	–	
6	Of which: variable remuneration	–	2,307	2,307	–	651	28	812	170	–	
7	Of which: fixed remuneration	737	2,967	3,703	–	1,241	328	1,689	328	–	

ANNEX XXXV : ASSET ENCUMBRANCE

UK AE1 – Encumbered and unencumbered assets

		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**	**11,038.6**	**242.8**			**51,055.5**	**12,199.9**		
030	Equity instruments	–	–	–	–	3.0	–	–	–
040	Debt securities	242.8	242.8	242.8	242.8	6,792.0	5,745.0	6,792.0	5,745.0
050	of which: covered bonds	–	–	–	–	1,653.3	1,653.3	1,653.3	1,653.3
060	of which: securitisations	–	–	–	–	–	–	–	–
070	of which: issued by general governments	242.8	242.8	242.8	242.8	1,260.1	1,140.9	1,260.1	1,140.9
080	of which: issued by financial corporations	–	–	–	–	5,531.9	4,604.0	5,531.9	4,604.0
090	of which: issued by non-financial corporations	–	–	–	–	–	–	–	–
120	Other assets	10,713.5	–			44,260.4	6,697.8		

UK AE2 – Collateral received and own debt securities issued

		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**	**–**	**–**	**–**	**–**
140	Loans on demand	–	–	–	–
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**			**–**	**–**
250	**Total assets, collateral received and own debt securities issued**	**11,038.6**	**325.1**		

UK AE3 – Sources of encumbrance

		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**	**6,303.3**	**11,038.6**

UK AE4 – Accompanying narrative information

(a) General information on asset encumbrance

The term encumbrance is used to denote those assets on a bank's balance sheet which have been pledged as security, collateral or legally ring-fenced in some other way which prevents the firm from being able to transfer, pledge, sell or otherwise use/dispose of these assets. The Society holds a level of asset encumbrance that is considered to be appropriate for the size and scope of its operations and manages the levels of encumbrance using closely monitored limits set by the Board. Median exposures have been disclosed based on the four quarterly regulatory asset encumbrance submissions during the financial year as prescribed by regulatory requirements.

(b) The impact of, and relationship between, the business model and asset encumbrance

i) Main sources and types of encumbrance

The most material source of encumbrance for the Society is secured funding via the Society's covered bond and securitisation programmes which are supported by pledging mortgage assets as collateral. Assets are encumbered in accordance with the contractual requirements of these programmes. Further detail on these activities is set out in Note 27 to the Group Annual Report and Accounts. These programmes are continually assessed, and a prudent buffer of over-collateralisation is voluntarily maintained for operational efficiency. The Society also pledges debt securities as collateral in sale and repurchase transactions. An additional source of encumbrance is the collateralisation of derivative liabilities. The Society treats some cash and balances with the Bank of England, some loans and advances to credit institutions and some debt securities as encumbered even though there are no associated liabilities. An example of this would be liquid assets held within the Society's covered bond and securitisation programmes; as these are not available for use in the Society's day-to-day operations.

ii) Structure of encumbrance between entities within the Group

The Society manages encumbrance centrally at a group level.

iii) Information on over-collateralisation

Residential Mortgage Backed Securities (RMBS) and Regulated Covered Bond (RCB) pools include significant over-collateralisation relative to the bonds in issue, with encumbrance being weighted according to regulatory minima (plus buffer) for the RCB pool and the volume of encumbered notes, i.e. excluding any encumbrance of mortgages which would be attributable to retained unencumbered notes, for the RMBS and RCB programmes.

iv) Additional information on encumbrance of assets

Most encumbered assets are denominated in sterling given they primarily relate to the use of mortgages originated in the UK.

v) Proportion of items included in column 060 'Carrying amount of unencumbered assets' in template UK AE1 that the Society would not deem available for encumbrance in the normal course of its business

The majority of unencumbered assets comprise residential or buy-to-let mortgages, providing the Society with high levels of contingent funding capacity, with only a small proportion deemed unavailable for encumbrance which primarily consist of derivative and intangible assets.

vi) The amount of underlying assets and of cover pool assets of retained securitisations and retained covered bonds

As at 31 December 2023 the Society held retained assets totalling £9,038m (excluding Z notes) across the Brass and Tombac RMBS programmes. The Society also held retained covered bonds totalling £1,200m.

vii) The impact of the Society's business model on their level of encumbrance

The majority of the Society's asset encumbrance arises through secured funding issuance and use of the Bank of England's TFSME.

viii) Additional information on the breakdown of rows in the templates UK AE1, UK AE2 and UK AE3

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".

ANNEX XXXVII : INTEREST RATE RISK IN THE BANKING BOOK

UK IRRBBA – IRRBB risk management objectives and policies

QUALITATIVE DISCLOSURE

(a) A description of how the institution defines, measures, mitigates and controls IRRBB for the purposes of risk control and measurement

Interest rate risk is defined as the current or prospective risk to the Society's capital and earnings arising from movements in interest rates and related customer behaviour. It affects the Society's banking book positions on the back of exposures to duration, basis, and optionality risk, and is a key component of YBS's market risk framework. Interest rate risk is measured using a combination of value-based and earnings sensitivity assessments which includes:

- Economic Value of Equity (EVE)
- Net Interest Income (NII) sensitivities
- Value at risk (VaR)
- Basis point sensitivity
- Interest rate risk stress testing and scenario analysis.

IRRBB is measured, monitored and managed from both an internal and regulatory perspective. The Board is responsible for setting market risk appetite and the Asset and Liability Committee (ALCO) is responsible for managing the society's market risk profile. Market risk is managed within a comprehensive risk framework which includes policies, limit setting/monitoring, stress testing and robust governance controls. This includes setting and monitoring more granular limits and key risk indicators (KRIs), with relevant risk metrics reported monthly to ALCO. Governance and controls are also in place for the models and systems which are used to measure interest rate risk.

(b) A description of the institution's overall IRRBB management and mitigation strategies

Interest rate risk specifically is managed and mitigated through a combination of strategies including:

- Measuring, monitoring and reporting risk exposures;
- Matching or offsetting exposures;
- Appropriate use of derivatives;
- Structural hedging;
- Product design characteristics;
- Internal transfer price for product risks.

(c) The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific risk measures that the institution uses to gauge its sensitivity to IRRBB, including changes to its economic value and earnings

YBS's market risk management framework features the periodic assessment of interest rate risk metrics against internal and regulatory risk limits. The following value and earning metrics are calculated:

- **NII Sensitivity** – This is calculated monthly and assesses potential changes to earnings as a result of changes in interest rates and related customer behaviour over a 12 month period. A forecast balance sheet is used, which assumes the reinvestment of maturing assets and liabilities in like-for-like products, with product-specific characteristics, such as explicit rate floors, factored into the computation.
- **Economic Value of Equity** – This is measured quarterly and calculated in line with PRA guidance. All six prescribed rate shocks are assessed and optionality stresses are factored in.
- **VaR and Basis Point Sensitivities** – Both are measured and reported daily. Normal and stressed VaR are measured on a statistical basis using a 99% confidence interval, based on daily changes in rates (using a history set of up to 15 years), with a 10 day holding period. Basis point sensitivity shows the market value change on the society's balance sheet due to a 1bp parallel increase in rates.

While EVE and NII sensitivities are measured on a quarterly and monthly frequency respectively, they can be assessed more frequently in the event of rapidly changing market conditions.

(d) A description of the interest rate shock and stress scenarios that the institution uses to estimate changes in its economic value and in earnings

EVE sensitivities are calculated in accordance with the PRA's regulatory requirements, with the following six prescribed interest rate shocks applied:

- Parallel shock up;
- Parallel shock down;
- Steepener shock;
- Flattener shock;
- Short rates shock up; and
- Short rates shock down.

NII sensitivities are assessed against the parallel shock up and parallel shock down only. More likely rate shocks are assessed on a monthly basis, in response to a range of parallel rate shocks, which include a +/– 100 and +/– 200 basis point change in interest rates. ALCO monitors the impacts of +/– 250 basis point shock monthly.

(e) A high-level description of 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

EVE sensitivity

The EVE sensitivity is assessed in line with PRA guidelines. The key assumptions used to calculate the EVE sensitivity shown in template UK IRRBB1 are as follows:

- The EVE sensitivity is assessed in line with PRA guidelines. The key assumptions used to calculate the EVE sensitivity shown in template UK IRRBB1 are as follows:
- The sensitivity represents the difference between the present value of assets and liabilities in a baseline and shock scenario.
- Analysis is done under the assumption of a run-off balance sheet.
- The implied forward curve at the report date is shocked in line with the six PRA-prescribed scenarios. A post-shock interest rate floor of -100 basis points is applied and unwound by 5 basis points per annum for twenty years until the rate returns to 0%. This floor and assumed recovery is consistent with regulations set out in SS31/15.
- It is assumed that changes in interest rates are fully passed through to retail products, except for products with explicit rate optionality.
- YBS's own equity is excluded.
- PRA prescribed scalars are used to estimate the change in the extent to which customers use options contained in retail products, specifically the pre-payment of fixed-rate mortgages.
- Non-maturing deposits (NMDs) are assumed to reprice linearly over their tenors (2 or 5 years).
- In line with SS31/15, positive EVE changes are weighted by a factor of 50%.
- Analysis encompasses optionality risk assessments, such as the impact of product caps and floors. Commercial margins are excluded, in line with the Society's internal measurement of IRRBB.

NII sensitivity

The key assumptions used in calculating the NII sensitivity shown in template UK IRRBB1 are as follows:

- A forecast balance sheet over a one-year horizon is used, with all assets and liabilities maturing within the year reinvested in like-for-like products.
- The implied forward curve at the report date is shocked, with GBP shocked at +/– 250 basis points.
- Unlike the EVE sensitivity, no market rate floor is applied.
- Changes in interest rates are passed through to retail products with no interest rate floor assumed, except for products with explicit rate optionality.
- Constant commercial margins are applied.
- The values are reported on a pre-tax basis.

(f) A description of significant modelling assumptions used in the institution's internal measurement systems (IMS) for purposes other than disclosure that differ from the modelling assumptions prescribed for the disclosure in Template UK IRRBB1, including their directional implications and the rationale for those differences

Consistent modelling assumptions are applied between internal and regulatory economic value assessments. Both analyses feature a run-off balance sheet and a post-shock tapered interest rate floor, starting at -100bps. ALCO-approved behavioural assumptions on optionality and the reprice profile of Non-Maturity Deposits (NMDs) are also consistently applied.

The Internal NII sensitivity analysis expands on regulatory disclosures by estimating the impact of additional rate shock scenarios, including +/– 200bps and a 250bps down shock floored at -50bps. The NII sensitivity reported in the UK IRRBB1 template assumes that market rates are unfloored, and projects that changes in interest rates are fully passed through to retail products, which can result in customer rates becoming negative. In reality, the Society is unlikely to implement negative savings rates and this is reflected in its internal sensitivity analysis, where customer rates are assumed to be floored at zero. Market rates are also assumed to be floored at zero in some NII scenarios that assess the impact of a less severe, but more likely, interest rate shock.

(g) A high-level description of how the institution hedges its IRRBB, as well as the associated accounting treatment

The Society hedges its interest rate exposures primarily through derivative financial instruments and a combination of matching and offsetting balance sheet exposures. The Free Reserves Investment Portfolio (FRIP) and the Non-Maturing Deposits (NMDs) form the crux of the society's structural hedging program, which is used to stabilise earnings as interest rates changes.

Details of the accounting treatment of YBS's derivatives and hedge accounting is set out in Note 1 to the financial statements within the Annual Report and Accounts.

(h) Any other information which the institution wishes to disclose regarding its interpretation of the 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

Below is a description of the key drivers of the EVE and NII sensitivities, which are presented in template UK IRRBB 1.

EVE sensitivity – EVE sensitivity, which is monitored quarterly, measures the change in the value of YBS's assets and liabilities, excluding equity, arising from a change in interest rates. The Society's most severe EVE sensitivity is the 'parallel shock up', with a decline in EVE of £310.6 million. This represents a ΔEVE as a percentage of Tier 1 capital of 8.5%, which is within the regulatory 15% threshold. The most material driver of the sensitivity relates to reserves structural hedging, with a decline in EVE of £248 million arising from this due to the exclusion of YBS's own equity. The remainder of the sensitivity relates to the impact of the shape of the balance sheet gap, estimated change in customer behaviour and the extent to which customers are assumed to use product optionality in the scenarios. Within the analysis, retail products are assumed to be able to price below 0% unless an explicit floor is included within the terms of their specific product. In reality, the Society is unlikely to implement negative savings rates other than as a last resort.

NII sensitivity – NII sensitivity, which is monitored monthly, measures the extent to which NII is affected by changes in interest rates and varies over time due to several factors, such as short-term timing mismatches between the repricing of fixed rate assets and liabilities, market conditions and strategic changes to the balance mix. As such, they should not be considered as a guide to future performance.

The 'parallel shock up' scenario, which assumes a 250-basis point increase in GBP interest rates, is YBS's maximum NII sensitivity with an increase in NII of £11 million. This is driven primarily by the shape of the repricing gap, and is complimented by impacts arising from other balance sheet hedging strategies & explicit optionality embedded within the Society's balance sheet. The result is influenced by the assumption that any changes in underlying market rates are fully passed through to retail products. Furthermore, it is assumed that fixed-rate mortgages and savings that reinvest during the one-year horizon do so at the same margins at which they were originated.

The 'parallel shock down' scenario results in the same absolute NII sensitivity (values are rounded to the nearest million), driven by factors highlighted above.

As with the EVE sensitivity, retail products are assumed to be able to price below 0% unless an explicit floor is included within the terms of their specific product. Again, in reality, negative customer savings rates would only be implemented as a last resort.

QUANTITATIVE DISCLOSURES

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

Average repricing maturity assigned to non-maturing deposits NMDs (yrs): 2.22

(j) Longest repricing maturity assigned to NMDs

Longest repricing maturity assigned to NMDs (yrs): 5.25

UK IRRBB1 – Quantitative information on IRRBB

		a	b	c	d	e	f
		ΔEVE		ΔNII		Tier 1 capital	
	Period	31/12/2023	30/06/2023	31/12/2023	30/06/2023	31/12/2023	30/06/2023
		£m	£m	£m	£m	£m	£m
010	Parallel shock up	(311)	(265)	11	30		
020	Parallel shock down	121	87	(11)	(30)		
030	Steepener shock	(21)	(25)				
040	Flattener shock	(53)	(39)				
050	Short rates shock up	(148)	(117)				
060	Short rates shock down	64	50				
070	Maximum	(311)	(265)	11	30		
080	**Tier 1 capital**					**3,639**	**3,455**

GLOSSARY

Additional Tier 1 (AT1) capital	Capital that meets certain criteria set out in CRD IV. In particular, the criteria require that upon the occurrence of a trigger event, the AT1 capital instrument converts to a form of Common Equity Tier 1 capital or the principal is written down on a permanent basis; or grandfathered instruments such as Permanent Interest Bearing Shares (PIBS).
Capital conservation buffer	An additional layer of usable capital that can be drawn down when losses are incurred in a stress.
Central Counterparties (CCP)	A CCP is a clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, where a single bilateral contract between the buyer and seller is replaced with two contracts, one between the buyer and CCP and one between the seller and CCP.
Common Equity Tier 1 (CET1) capital	The highest quality regulatory capital resources, comprising retained earnings less regulatory adjustments, as defined under CRD IV. Equivalent to Core Tier 1 defined under previous CRD legislation.
Common Equity Tier 1 capital ratio	The ratio of Common Equity Tier 1 Capital to Risk Weighted Assets.
Countercyclical buffer	A capital buffer which aims to ensure that banking sector capital requirements take account of the macro-financial environment in which banks operate.
Counterparty Credit Risk (CCR)	Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.
CRD IV	The Capital Requirements Directive IV is an EU-wide legislative package that includes prudential rules for banks, building societies and investment firms. CRD IV has been adopted with slight modification by the UK following its exit from the EU.
CRR	The Capital Requirements Regulation that applied the Basel III framework in the EU and has been incorporated into UK regulation following the UK's exit from the EU.
Credit risk	The risk of financial loss arising from a failure of a customer or counterparty to settle their financial and contractual obligations as they fall due.
Credit risk mitigation	Techniques to reduce the potential loss in the event that a customer (borrower or counterparty) becomes unable to meet its obligations. This may include the taking of financial or physical security, the assignment of receivables or the use of credit derivatives, guarantees, credit insurance, set off or netting.
Credit Valuation Adjustment (CVA)	Adjustments applied to the fair values of derivatives to reflect the creditworthiness of the counterparty.
High Quality Liquidity Assets (HQLA)	Assets which can be easily and immediately converted into cash at little or no loss of value.
Liquidity Coverage Ratio (LCR)	A liquidity metric which aims to ensure that a firm maintains an adequate level of liquidity to meet its needs for a 30 calendar day time horizon under a severe stress scenario.
Operational risk	The risk of direct and indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.
Prudential Regulation Authority (PRA)	The UK prudential regulator, which is a part of the Bank of England and alongside the FCA, has responsibility for the oversight of building societies, banks and insurers. The PRA's objective is to promote the safety and soundness of regulated firms.
Securitisation	A transaction or scheme where assets are sold to a Special Purpose Vehicle (SPV) in return for immediate cash payment. That vehicle raises the immediate cash payment by issuing debt securities in the form of tradable notes or commercial paper to wholesale investors who receive an income from the underlying assets. Some risk is retained on the balance sheet while the remaining risk is transferred to investors. Securitisations may be purchased or retained.

Sterling Monetary Framework (SMF)	The Bank of England's operations in the sterling money markets to maintaining monetary and financial stability.
SREP	Supervisory Review and Evaluation Process, the PRA assessment of a firm's own capital assessment (ICA) under Basel III Pillar 2.
The Standardised Approach (credit risk)	The standardised approach to credit risk, calculated by applying varying RWA percentages to credit exposures, depending on the underlying risk.
The Standardised Approach (operational risk)	The standardised approach to operational risk, calculated using three-year historical net income multiplied by a factor of between 12-18%, depending on the underlying business being considered.
Systemic risk buffer	Additional capital requirement which aims to address systemic risks that are not covered by the Capital Requirements Regulation.
Term Funding Scheme with additional incentives for SMEs (TFSME)	A scheme launched by the Bank of England designed to boost lending to households and businesses by providing term funding to banks and building societies participating in the scheme at rates close to Bank Rate.
Tier 1 (T1) capital	The sum total of Common Equity Tier 1 and Additional Tier 1 capital.
Tier 1 capital ratio	The ratio of Tier 1 capital to Risk Weighted Assets.
Tier 2 (T2) capital	A measure of regulatory capital that includes subordinated liabilities and provisions for collective impairment, less regulatory adjustments.
Total capital ratio	The ratio of total capital (Tier 1 and Tier 2) to Risk Weighted Assets.
Total Capital Requirement (TCR)	The total of Pillar 1 requirements and Pillar 2A requirements.

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