# VIRGIN MONEY UK

## Pillar 3 Disclosures

Q1 2024

# Q1 2024 Pillar 3 report

For the 3 months ended 31 December 2023

# Introduction

## FORWARD-LOOKING STATEMENTS

This report and any other written or oral material discussed or distributed in connection with the Pillar 3 disclosures (the "Information") has been produced to meet the regulatory requirements of Virgin Money UK PLC ('Virgin Money' or 'the Company'), together with its subsidiary undertakings (which comprise 'the Group') and is for information only, and should not be regarded as an investment or research recommendation, or any form of investment or business advice. You should not place reliance on the Information when taking any business, legal or other types of decisions/ actions.

The Information may include forward looking statements, which are based on assumptions, expectations, valuations, targets and estimates about future events. These can be identified by the use of words such as 'expects', 'aims', 'targets', 'seeks', 'anticipates', 'plans', 'intends', 'prospects' 'outlooks', 'projects', 'forecasts', 'believes', 'estimates', 'potential', 'possible', and similar words or phrases. These forward looking statements are subject to risks, uncertainties and assumptions about the Group and its securities, investments and the environment in which it operates, including, among other things, the development of its business and strategy, any acquisitions, combinations, disposals or other corporate activity undertaken by the Group, trends in its operating industry, changes to customer behaviours and covenant, macroeconomic and/or geopolitical factors, the repercussions of the outbreak of coronaviruses (including but not limited to the COVID-19 pandemic), changes to its board and/ or employee composition, exposures to terrorist activity, IT system failures, cyber-crime, fraud and pension scheme liabilities, risks relating to environmental matters such as climate change including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, changes to law and/or the policies and practices of the Bank of England, the Financial Conduct Authority and/or other regulatory and governmental bodies, inflation, deflation, interest rates, exchange rates, tax and national insurance rates, changes in the liquidity, capital, funding and/ or asset position and/or credit ratings of the Group, future capital expenditures and acquisitions, the repercussions of the UK's exit from the European Union (EU) (including any change to the UK's currency and the terms of any trade agreements (or lack thereof) between the UK and the EU), Eurozone instability, Russia's invasion of Ukraine, the conflict in the Middle East, any referendum on Scottish independence, and any UK or global cost of living crisis or recession.

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## BASIS OF PRESENTATION

This report presents the consolidated quarterly Pillar 3 disclosures of the Group as at 31 December 2023. This report should be read in conjunction with the Virgin Money UK PLC Q1 2024 Trading Update, available from: www.virginmoneyukplc.com/investor-relations/results-and-reporting/financial-results.

The Group is regulated under UK Capital Requirements Regulation (CRR) and the associated binding technical standards that were created by the European Union (Withdrawal) Act 2018. The CRR has subsequently been amended by a number of statutory instruments and is split across the Prudential Regulatory Authority (PRA) rulebook and primary legislation.

These disclosures are prepared and presented in accordance with the Disclosure (CRR) part of the PRA Rulebook which includes revised disclosure requirements applicable from 1 January 2022 following the UK implementation of the remaining provisions of CRR II. Any references to the EU regulations and directives should, as applicable, be read as references to the UK's version of the respective regulation, as onshored into UK law under the European Union (Withdrawal) Act 2018.

The numbers presented within this report are on a consolidated basis, with Virgin Money UK PLC numbers shown in the body of the report. Consolidated numbers specifically relating to Clydesdale Bank PLC and its subsidiaries are shown in Appendix 1, which aligns with the Disclosure (CRR) part of the PRA Rulebook to report ring-fenced bodies at a sub-consolidated level.

The disclosures made in this report are required to be disclosed on a quarterly basis. The information presented in this Pillar 3 report is not required to be, and has not been, subject to external audit.

Certain figures contained in this report may have been subject to rounding adjustments and foreign exchange conversions. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this report may not conform exactly to the total figure given.

Comparative figures are as at 30 September 2023 unless otherwise stated and are reported to give insight into movements during the period. Where disclosures are new, or have been significantly changed, we do not generally restate or provide prior period comparatives.

Where specific rows and columns in the tables prescribed by the PRA are not applicable or are immaterial to our activities, we omit them and follow the same approach for comparative disclosures.

## TEMPLATES NOT DISCLOSED

Specific Pillar 3 templates are required to be disclosed on a quarterly basis and these are included within this report. Certain PRA templates prescribed on a quarterly basis are not applicable to the Group and this includes UK MR2-A and UK CCR7 on the basis the Group applies the standardised approach to market risk and counterparty credit risk.

Article 432 of the PRA Rulebook on non-material, proprietary or confidential information permits institutions to omit one or more disclosures if the information provided by such a disclosure is not regarded as material. No disclosures have been omitted on the basis of them being regarded as proprietary or confidential.

## Annex I: Disclosure of key metric and overview of risk weighted exposure amounts

**Table 1: UK KM1 - Key metrics**

The table below provides a summary of the main prudential regulation ratios and measures.

| | | A | B | C | D | E |
|---|---|---|---|---|---|---|
| | | **31 Dec 2023[1] £m** | 30 Sept 2023 £m | 30 Jun 2023 £m | 31 March 2023 £m | 31 Dec 2022 £m |
| | ***Available own funds (amounts)*** | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | **3,522** | 3,711 | 3,637 | 3,627 | 3,558 |
| 2 | Tier 1 capital | **4,357** | 4,305 | 4,231 | 4,221 | 4,151 |
| 3 | Total capital | **5,130** | 5,327 | 5,253 | 5,242 | 5,172 |
| | ***Risk-weighted exposure amounts*** | | | | | |
| 4 | Total risk-weighted exposure amount | **25,458** | 25,176 | 24,898 | 24,703 | 24,029 |
| | ***Capital ratios (as a percentage of risk-weighted exposure amount) (%)*** | | | | | |
| 5 | Common Equity Tier 1 ratio | **13.8%** | 14.7% | 14.6% | 14.7% | 14.8% |
| 6 | Tier 1 ratio | **17.1%** | 17.1% | 17.0% | 17.1% | 17.3% |
| 7 | Total capital ratio | **20.2%** | 21.2% | 21.1% | 21.2% | 21.5% |
| | ***Additional own funds requirements based on Supervisory Review and Evaluation Process (SREP) (as a percentage of risk-weighted exposure amount) (%)*** | | | | | |
| UK-7a | Additional CET1 SREP requirements | **1.9%** | 1.7% | 1.7% | 1.7% | 1.7% |
| UK-7b | Additional AT1 SREP requirements | **0.6%** | 0.6% | 0.6% | 0.6% | 0.6% |
| UK-7c | Additional T2 SREP requirements | **0.9%** | 0.7% | 0.7% | 0.7% | 0.7% |
| UK-7d | Total SREP own funds requirements | **11.4%** | 11.0% | 11.0% | 11.0% | 11.0% |
| | ***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% |
| 9 | Institution specific countercyclical capital buffer | **2.0%** | 2.0% | 1.0% | 1.0% | 1.0% |
| UK-10a | Other Systemically Important Institution buffer[2] | **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 | **15.9%** | 15.5% | 14.5% | 14.5% | 14.5% |
| 12 | CET1 available after meeting the total SREP own funds requirements | **7.4%** | 8.5% | 8.4% | 8.5% | 8.6% |
| | ***Leverage ratio[3][6]*** | | | | | |
| 13 | Total exposure measure excluding claims on central banks | **86,624** | 86,554 | 86,052 | 86,464 | 86,773 |
| 14 | Leverage ratio excluding claims on central banks (%) | **5.0%** | 5.0% | 4.9% | 4.9% | 4.8% |
| | ***Additional leverage ratio disclosure requirements (%)*** | | | | | |
| UK-14a | Fully loaded Expected Credit Loss (ECL) accounting model leverage ratio excluding claims on central banks | **4.9%** | 4.9% | 4.8% | 4.8% | 4.7% |
| UK-14b | Leverage ratio including claims on central banks | **4.6%** | 4.5% | 4.4% | 4.4% | 4.3% |
| UK-14c | Average leverage ratio excluding claims on central banks[3] | **4.9%** | 4.9% | 4.8% | 4.7% | 4.7% |
| UK-14d | Average leverage ratio including claims on central banks | **4.4%** | 4.4% | 4.3% | 4.3% | 4.3% |
| UK-14e | Countercyclical leverage ratio buffer | **0.7%** | 0.7% | 0.4% | 0.4% | 0.4% |

## Annex I: Disclosure of key metric and overview of risk weighted exposure amounts

### Table 1: UK KM1 - Key metrics (continued)

| | | A | B | C | D | E |
|---|---|---|---|---|---|---|
| | | **31 Dec 2023[1]** **£m** | 30 Sept 2023 £m | 30 Jun 2023 £m | 31 March 2023 £m | 31 Dec 2022 £m |
| | ***Liquidity Coverage Ratio[4]*** | | | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value average) | **13,988** | 13,798 | 13,381 | 12,542 | 11,793 |
| UK-16a | Cash outflows - Total weighted value | **9,887** | 9,933 | 9,875 | 9,573 | 9,197 |
| UK-16b | Cash inflows - Total weighted value | **540** | 509 | 528 | 553 | 562 |
| 16 | Total net cash outflows (adjusted value) | **9,387** | 9,424 | 9,347 | 9,020 | 8,635 |
| 17 | Liquidity coverage ratio (%) | **150%** | 146% | 143% | 139% | 137% |
| | ***Net Stable Funding Ratio (NSFR)[5]*** | | | | | |
| 18 | Total available stable funding | **78,895** | 79,218 | 79,096 | 78,035 | |
| 19 | Total required stable funding | **58,317** | 58,346 | 58,247 | 57,943 | |
| 20 | NSFR ratio (%) | **135%** | 136% | 136% | 135% | |

(1) Profits for the quarter ending 31 December 2023 have not been formally verified and are therefore excluded from the relevant figures disclosed in the table, in accordance with capital regulations.

(2) On 29 November 2022 the Group was formally designated as an O-SII but is not currently required to hold a related capital buffer.

(3) The average leverage exposure measure (excluding claims on central banks) for the period from 1 October 2023 to 31 December 2023 amounted to £87,128m (1 July 2023 to 30 September 2023: £85,910m).

(4) Liquidity balances are calculated as the simple averages of month-end observations over the 12 months preceding the reporting date.

(5) In line with PRA guidance, disclosures for the NSFR were not required until reporting dates after 1 January 2023.

(6) The comparative figures include a restatement to qualifying central bank claims which have been adjusted to exclude encumbered note cover and payments system collateral balances.

# Annex I: Disclosure of key metric and overview of risk weighted exposure amounts

**Table 2: IFRS 9/Article 468 – Impact of IFRS 9 transitional arrangements and temporary treatment in accordance with CRR Article 468**
The following table shows the capital, RWA and leverage positions with and without the application of transitional arrangements for IFRS 9 or analogous ECLs.

| | | A | B | C | D | E |
|---|---|---|---|---|---|---|
| | | **31 Dec 2023[1] £m** | 30 Sept 2023 £m | 30 Jun 2023 £m | 31 March 2023 £m | 31 Dec 2022 £m |
| | ***Available capital (£m)*** | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | **3,522** | 3,711 | 3,637 | 3,627 | 3,558 |
| 2 | CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | **3,439** | 3,599 | 3,541 | 3,537 | 3,458 |
| 3 | Tier 1 capital | **4,357** | 4,305 | 4,231 | 4,221 | 4,151 |
| 4 | Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | **4,274** | 4,193 | 4,135 | 4,131 | 4,051 |
| 5 | Total capital | **5,130** | 5,327 | 5,253 | 5,242 | 5,172 |
| 6 | Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | **5,047** | 5,215 | 5,157 | 5,152 | 5,072 |
| | ***Risk-weighted assets (£m)*** | | | | | |
| 7 | Total risk-weighted assets | **25,458** | 25,176 | 24,898 | 24,703 | 24,029 |
| 8 | Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | **25,393** | 25,087 | 24,822 | 24,632 | 23,950 |
| | ***Capital ratios (%)*** | | | | | |
| 9 | CET1 (as a percentage of risk exposure amount) | **13.8%** | 14.7% | 14.6% | 14.7% | 14.8% |
| 10 | CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | **13.5%** | 14.3% | 14.3% | 14.4% | 14.4% |
| 11 | Tier 1 (as a percentage of risk exposure amount) | **17.1%** | 17.1% | 17.0% | 17.1% | 17.3% |
| 12 | Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | **16.8%** | 16.7% | 16.7% | 16.8% | 16.9% |
| 13 | Total capital (as a percentage of risk exposure amount) | **20.2%** | 21.2% | 21.1% | 21.2% | 21.5% |
| 14 | Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | **19.9%** | 20.8% | 20.8% | 20.9% | 21.2% |
| | ***Leverage ratio*** | | | | | |
| 15 | Leverage ratio total exposure measure (£m) | **86,624** | 86,554 | 86,052 | 86,464 | 86,773 |
| 16 | Leverage ratio (%) | **5.0%** | 5.0% | 4.9% | 4.9% | 4.8% |
| 17 | Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied (%) | **4.9%** | 4.9% | 4.8% | 4.8% | 4.7% |

(1) Profits for the quarter ending 31 December 2023 have not been formally verified and are therefore excluded from the relevant figures disclosed in the table, in accordance with capital regulations.

Transitional arrangements in CRR mean the regulatory capital impact of ECL is being phased in over time. Following the CRR Quick Fix amendments package, which applied from 27 June 2020, relevant provisions raised from 1 January 2020 through to 2024 have a CET1 add-back percentage of 50% in 2023, reducing to 25% in 2024. At 31 December 2023, £83m of IFRS 9 transitional adjustments (30 September 2023: £112m) have been applied to the Group's capital position in accordance with CRR, which is entirely comprised of dynamic relief (30 September 2023: £3m static and £109m dynamic).

# Annex I: Disclosure of key metric and overview of risk weighted exposure amounts

**Table 3: UK OV1 - Overview of risk weighted assets**

The table below shows RWAs and minimum capital requirement by risk type and approach[1]. Total own funds requirements are calculated as 8% of RWAs.

| | | A | B | C |
|---|---|---|---|---|
| | | Risk-weighted assets | | Total own funds requirements |
| | | **31 Dec 2023 £m** | 30 Sept 2023 £m | **31 Dec 2023 £m** |
| 1 | Credit risk (excluding CCR) | **22,301** | 21,919 | **1,784** |
| 2 | *of which: the standardised approach* | **6,657** | 6,443 | **533** |
| 3 | *of which: the foundation IRB (FIRB) approach* | **6,494** | 5,994 | **519** |
| 4 | *of which: slotting approach* | **399** | 410 | **32** |
| 5 | *of which: the advanced IRB (AIRB) approach* | **8,751** | 9,072 | **700** |
| 6 | Counterparty credit risk - CCR | **324** | 424 | **26** |
| 7 | *of which: the standardised approach* | **159** | 141 | **13** |
| UK-8a | *of which: exposures to a Central Counterparty (CCP)* | **6** | 5 | **0** |
| UK-8b | *of which: credit valuation adjustment – CVA* | **159** | 278 | **13** |
| 23 | Operational risk | **2,833** | 2,833 | **227** |
| UK-23b | *of which: standardised approach* | **2,833** | 2,833 | **227** |
| 24 | Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) | **300** | 296 | **24** |
| **29** | **Total** | **25,458** | 25,176 | **2,037** |

(1) The Group's Pillar 1 capital requirement for market risk is set to zero, therefore no figures are disclosed.

RWAs stayed relatively stable in the period, increasing by £282m (1.1%) to £25,458m.

**Common Equity Tier 1**

The Group's CET1 ratio (IFRS 9 transitional basis) decreased c.90bps to 13.8% (30 September 2023: 14.7%) The Group continues to expect to be operating in its target CET1 range of 13-13.5% in FY24, supported by nominal shareholder distributions in FY24 around the same level as FY23.

**Leverage**

The PRA simplified the leverage framework from 1 January 2022 with UK banks now subject to a single UK leverage ratio exposure measure. The CRD IV leverage ratio is no longer applicable to UK banks. The Group is required to maintain a leverage ratio that exceeds the total of the UK minimum leverage ratio of 3.25% and a countercyclical leverage ratio buffer (CCLB) rate of 35% of its institution-specific countercyclical capital buffer (CCyB) rate.

The Group's leverage ratio of 5.0% (30 September 2023: 5.0%) exceeds these minimum requirements. The Group's average leverage ratio is 4.9% (30 September 2023: 4.9%). The Group's leverage ratio buffer is automatically linked to the CCyB as noted above, and currently stands at 0.7% following the Financial Policy Committee's (FPC) announced increase in the CCyB to 2.0% from July 2023.

# Annex XIII: Liquidity requirements

**UK LIQB - Qualitative information on Liquidity Coverage Ratio (LCR)**

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

The LCR is driven by the size and composition of the liquid asset buffer and net stressed outflows. The Group's liquid asset buffer is high quality with minimal haircuts applied. The primary source of outflows is the customer deposit book (items 2 and 5 in LIQ1, with item 5 primarily being business deposits with any wholesale term funding maturities also captured) for which outflows are calculated based on LCR rules according to liquidity requirements. Additional outflows include committed lending to customers and other lending facilities, credit rating downgrade requirements and wholesale funding maturities. Outflows are offset by inflows such as attrition from the lending book.

***(b) Changes in the LCR over time***

The Group's Pillar 3 LCR disclosure (calculated as the simple average of month-end observations over the 12 months preceding the end of the reporting period) was 150% as at 31 December 2023, up from 146% as at 30 September 2023. The primary driver of the LCR requirement is a severe, unexpected withdrawal of customer deposits. The ratio continues to comfortably exceed both regulatory requirements and our more prudent internal risk appetite metrics, ensuring a substantial buffer in the event of any outflows.

***(c) Concentration of funding sources***

The Group is primarily funded through retail deposits, in addition to equity and a diversified wholesale funding book. A series of metrics is used by the Group to measure risk exposures, including funding ratios, limits on concentration and funding tenors/maturity risk. These include both risk appetite (Tier 1) and ALCO limits (Tier 2). As at the reporting date, these metrics include the regulatory NSFR, Loan-to-Deposit Ratio, quarterly wholesale, retail and combined refinancing, single name concentration and large business deposit concentration. The Loan-to-Deposit ratio risk appetite measure ensures the Group's balance sheet is funded by an appropriate level of customer deposits, while the additional measures further segregate the appetite for concentration of customer deposits according to tenor and single name. In addition, the Group's Board approved Funding Policy states that all funding must be diversified by source, maturity profile, type of instruments and currency to minimise dependence on specific sources, customers or markets, and that access to wholesale markets must be maintained, tested and accessed regularly.

***(d) Composition of the Group's liquidity buffer***

The Group's liquidity buffer is largely comprised of Level 1 assets, which includes cash at the BoE, UK Government securities (Gilts) and listed securities (e.g. bonds issued by supranationals and AAA-rated covered bonds). The Group also holds a smaller portion of Level 2 assets. The quantity and quality of the Group's liquid asset portfolio remains at a prudent level above regulatory requirements, with precise levels informed by the Board's view of liquidity risk appetite and calibrated through a series of internal stress tests across a range of time horizons and stress conditions.

***(e) Derivative exposures and potential collateral calls***

The Group actively manages its derivative exposures and potential collateral calls with derivative outflows under stress captured within the Historical Look Back Approach, which considers the impact of market movements on derivative exposures. Potential collateral calls under a 3-notch credit rating downgrade, including the impacts on derivative initial margin requirements, are also captured. These exposures are captured under item 11 of LIQ1.

***(f) Currency mismatch in the LCR***

The LCR is calculated and reported in GBP as no other currencies are significant in accordance with the PRA Rulebook. The Group's policy is for all currency liabilities to be swapped to GBP on a matched tenor basis, thereby removing Cross Currency Liquidity Risk. Non-GBP liabilities principally relates to wholesale funding issuance in Euros and US Dollars for which there are deep and liquid cross currency and foreign exchange swap markets. The swaps are matched to the issuance by volume, tenor and repricing rate, thereby ensuring that the net funding cost is linked to GBP rates. A similar approach is used to manage operational currency flows and to fund currency bank account positions. The use of derivative financial instruments manages foreign currency risk within approved limits.

***(g) Other items in the LCR calculation that are not captured in the LCR disclosure template but that are relevant for the liquidity profile***

No other items identified.

## Annex XIII: Liquidity requirements

**Table 4: UK LIQ1 - Quantitative information on LCR**

The table below shows the breakdown of the Group's high-quality liquid assets, cash outflows and cash inflows, calculated as the simple averages of month-end observations over the 12 months preceding the reporting date, on an unweighted and weighted basis.

| | | A | B | C | D | E | F | G | H |
|---|---|---|---|---|---|---|---|---|---|
| | | Total unweighted value (average) | | | | Total weighted value (average) | | | |
| UK-1a | Quarter ending on | **31 Dec 2023** | 30 Sept 2023 | 30 Jun 2023 | 31 Mar 2023 | **31 Dec 2023** | 30 Sept 2023 | 30 Jun 2023 | 31 Mar 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 HQLA** | | | | | **13,988** | 13,798 | 13,381 | 12,542 |
| | ***Cash - Outflows*** | | | | | | | | |
| 2 | Retail deposits and deposits from small business customers, *of which:* | **56,983** | 56,721 | 56,279 | 55,592 | **3,592** | 3,554 | 3,468 | 3,379 |
| 3 | *Stable deposits* | **37,691** | 38,010 | 39,068 | 40,163 | **1,885** | 1,901 | 1,952 | 2,004 |
| 4 | *Less stable deposits* | **13,426** | 12,795 | 12,073 | 11,278 | **1,679** | 1,618 | 1,480 | 1,338 |
| 5 | Unsecured wholesale funding, *of which:* | **7,409** | 7,535 | 7,628 | 7,535 | **3,659** | 3,712 | 3,752 | 3,650 |
| 6 | *Operational deposits (all counterparties) and deposits in networks of cooperative banks* | **1,064** | 1,139 | 1,211 | 1,255 | **264** | 282 | 300 | 311 |
| 7 | *Non-operational deposits (all counterparties)*[1] | **6,345** | 6,390 | 6,411 | 6,274 | **3,395** | 3,423 | 3,445 | 3,333 |
| 8 | *Unsecured debt* | **-** | 6 | 6 | 6 | **-** | 6 | 6 | 6 |
| 10 | Additional requirements, *of which:* | **4,777** | 4,643 | 4,409 | 4,121 | **1,712** | 1,690 | 1,582 | 1,415 |
| 11 | *Outflows related to derivative exposures and other collateral requirements* | **1,323** | 1,325 | 1,234 | 1,076 | **1,323** | 1,325 | 1,234 | 1,076 |
| 13 | *Credit and liquidity facilities* | **3,454** | 3,319 | 3,175 | 3,045 | **389** | 366 | 348 | 338 |
| 14 | Other contractual funding obligations | **83** | 83 | 83 | 84 | **9** | 9 | 9 | 9 |
| 15 | Other contingent funding obligations | **15,006** | 15,115 | 15,385 | 15,526 | **915** | 968 | 1,065 | 1,121 |
| **16** | **Total cash outflows** | | | | | **9,887** | 9,933 | 9,875 | 9,573 |
| | **Cash - Inflows** | | | | | | | | |
| 17 | **Secured lending (e.g. reverse repos)** | **25** | - | - | - | **25** | - | - | - |
| 18 | Inflows from fully performing exposures | **1,026** | 1,252 | 1,474 | 1,575 | **476** | 470 | 489 | 553 |
| 19 | Other cash inflows | **39** | 39 | 39 | - | **39** | 39 | 39 | - |
| **20** | **Total cash inflows** | **1,090** | 1,291 | 1,513 | 1,575 | **540** | 509 | 528 | 553 |
| UK-20c | Inflows subject to 75% cap | **1,090** | 1,291 | 1,513 | 1,575 | **540** | 509 | 528 | 553 |
| | **Total adjusted value** | | | | | | | | |
| UK-21 | Liquidity buffer | | | | | **13,988** | 13,798 | 13,381 | 12,542 |
| 22 | Total net cash outflows | | | | | **9,347** | 9,424 | 9,347 | 9,020 |
| 23 | Liquidity coverage ratio (%) | | | | | **150%** | 146% | 143% | 139% |

## Annex XXI: IRB approach to credit risk

**Table 5: UK CR8 - RWA flow statements of credit risk exposures under the IRB approach**

The table below summarises movements of risk-weighted assets for credit risk exposures under the IRB approach.

| | | A |
|---|---|---|
| | | Risk weighted assets £m |
| **1** | **Risk weighted exposure amount as at 30 September 2023** | **15,476** |
| 2 | Asset size (+/-) | **124** |
| 3 | Asset quality (+/-) | **237** |
| 4 | Model updates[(1)] (+/-) | **(193)** |
| **9** | **Risk weighted exposure amount as at 31 December 2023** | **15,644** |

(1) Model updates include the mortgage quarterly PD calibrations.

RWAs increased £0.2bn to £15.6bn, primarily due to the impacts of increased lending within the Business portfolio and a decrease in House Price Index leading to higher Loss Given Defaults (LGDs) in the Mortgage portfolio. This was offset by the impacts of refreshed Management Adjustments (MA) in relation to Hybrid models and Business Models, shown within Model Updates.

## Appendix 1: Disclosures for CB Group consolidated

**Table 6: UK KM1 - Key metrics**

The table below provides a summary of the main prudential regulation ratios and measures.

| | | A | B | C | D | E |
|---|---|---|---|---|---|---|
| | | **31 Dec 2023[1] £m** | 30 Sept 2023 £m | 30 Jun 2023 £m | 31 March 2023 £m | 31 Dec 2022 £m |
| | ***Available own funds (amounts)*** | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | **3,502** | 3,685 | 3,608 | 3,599 | 3,574 |
| 2 | Tier 1 capital | **4,337** | 4,279 | 4,202 | 4,193 | 4,168 |
| 3 | Total capital | **5,110** | 5,301 | 5,224 | 5,214 | 5,189 |
| | ***Risk-weighted exposure amounts*** | | | | | |
| 4 | Total risk-weighted exposure amount | **25,454** | 25,172 | 24,903 | 24,687 | 24,013 |
| | ***Capital ratios (as a percentage of risk-weighted exposure amount) (%)*** | | | | | |
| 5 | Common Equity Tier 1 ratio | **13.8%** | 14.6% | 14.5% | 14.6% | 14.9% |
| 6 | Tier 1 ratio | **17.0%** | 17.0% | 16.9% | 17.0% | 17.4% |
| 7 | Total capital ratio | **20.1%** | 21.1% | 21.0% | 21.1% | 21.6% |
| | ***Additional own funds requirements based on Supervisory Review and Evaluation Process (SREP) (as a percentage of risk-weighted exposure amount) (%)*** | | | | | |
| UK-7a | Additional CET1 SREP requirements | **1.9%** | 1.7% | 1.7% | 1.7% | 1.7% |
| UK-7b | Additional AT1 SREP requirements | **0.6%** | 0.6% | 0.6% | 0.6% | 0.6% |
| UK-7c | Additional T2 SREP requirements | **0.9%** | 0.7% | 0.7% | 0.7% | 0.7% |
| UK-7d | Total SREP own funds requirements | **11.4%** | 11.0% | 11.0% | 11.0% | 11.0% |
| | ***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% |
| 9 | Institution specific countercyclical capital buffer | **2.0%** | 2.0% | 1.0% | 1.0% | 1.0% |
| 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 | **15.9%** | 15.5% | 14.5% | 14.5% | 14.5% |
| 12 | CET1 available after meeting the total SREP own funds requirements | **7.4%** | 8.4% | 8.3% | 8.4% | 8.7% |
| | ***Leverage ratio***[2][5] | | | | | |
| 13 | Total exposure measure excluding claims on central banks | **86,624** | 86,545 | 86,067 | 86,458 | 86,762 |
| 14 | Leverage ratio excluding claims on central banks (%) | **5.0%** | 4.9% | 4.9% | 4.8% | 4.8% |
| | ***Additional leverage ratio disclosure requirements (%)*** | | | | | |
| UK-14a | Fully loaded Expected Credit Loss (ECL) accounting model leverage ratio excluding claims on central banks | **4.9%** | 4.8% | 4.8% | 4.8% | 4.7% |
| UK-14b | Leverage ratio including claims on central banks | **4.6%** | 4.5% | 4.4% | 4.3% | 4.3% |
| UK-14c | Average leverage ratio excluding claims on central banks[2] | **4.9%** | 4.9% | 4.8% | 4.7% | 4.7% |
| UK-14d | Average leverage ratio including claims on central banks | **4.5%** | 4.4% | 4.3% | 4.3% | 4.3% |
| UK-14e | Countercyclical leverage ratio buffer | **0.7%** | 0.7% | 0.4% | 0.4% | 0.4% |

## Appendix 1: Disclosures for CB Group consolidated

**Table 6: UK KM1 - Key metrics (continued)**

| | | A | B | C | D | E |
|---|---|---|---|---|---|---|
| | | **31 Dec 2023[1]** **£m** | 30 Sept 2023 £m | 30 Jun 2023 £m | 31 March 2023 £m | 31 Dec 2022 £m |
| | ***Liquidity Coverage Ratio[3]*** | | | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value average) | **13,988** | 13,798 | 13,381 | 12,542 | 11,793 |
| UK-16a | Cash outflows - Total weighted value | **9,887** | 9,933 | 9,875 | 9,573 | 9,197 |
| UK-16b | Cash inflows - Total weighted value | **540** | 509 | 528 | 553 | 562 |
| 16 | Total net cash outflows (adjusted value) | **9,347** | 9,424 | 9,347 | 9,020 | 8,635 |
| 17 | Liquidity coverage ratio (%) | **150%** | 146% | 143% | 139% | 137% |
| | ***Net Stable Funding Ratio[4]*** | | | | | |
| 18 | Total available stable funding | **78,963** | 79,295 | 79,171 | 78,119 | |
| 19 | Total required stable funding | **58,420** | 58,450 | 58,352 | 58,097 | |
| 20 | NSFR ratio (%) | **135%** | 136% | 136% | 134% | |

(1) Profits for the quarter ending 31 December 2023 have not been formally verified and are therefore excluded from the relevant figures disclosed in the table, in accordance with capital regulations.

(2) The average leverage exposure measure (excluding claims on central banks) for the period from 1 October 2023 to 31 December 2023 amounted to £87,130m (1 July 2023 to 30 September 2023: £86,202m).

(3) Liquidity balances are calculated as the simple averages of month-end observations over the 12 months preceding the reporting date.

(4) In line with PRA guidance, disclosures for the NSFR were not required until reporting reference dates after 1 January 2023.

(5) The comparative figures include a restatement to qualifying central bank claims which have been adjusted to exclude encumbered note cover and payment system collateral balances.

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**Table 7: IFRS 9/Article 468 – Impact of IFRS 9 transitional arrangements and temporary treatment in accordance with CRR Article 468**

The following table shows the capital, RWA and leverage positions with and without the application of transitional arrangements for IFRS 9 or analogous ECLs.

| | | A | B | C | D | E |
|---|---|---|---|---|---|---|
| | | **31 Dec 2023[(1)] £m** | 30 Sept 2023 £m | 30 Jun 2023 £m | 31 March 2023 £m | 31 Dec 2022 £m |
| | **Available capital (£m)** | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | **3,502** | 3,685 | 3,608 | 3,599 | 3,574 |
| 2 | CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | **3,419** | 3,573 | 3,512 | 3,509 | 3,474 |
| 3 | Tier 1 capital | **4,337** | 4,279 | 4,202 | 4,193 | 4,168 |
| 4 | Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | **4,254** | 4,167 | 4,106 | 4,103 | 4,068 |
| 5 | Total capital | **5,110** | 5,301 | 5,224 | 5,214 | 5,189 |
| 6 | Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | **5,027** | 5,189 | 5,128 | 5,124 | 5,089 |
| | **Risk-weighted assets (£m)** | | | | | |
| 7 | Total risk-weighted assets | **25,454** | 25,172 | 24,903 | 24,687 | 24,013 |
| 8 | Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | **25,389** | 25,083 | 24,827 | 24,616 | 23,934 |
| | **Capital ratios (%)** | | | | | |
| 9 | CET1 (as a percentage of risk exposure amount) | **13.8%** | 14.6% | 14.5% | 14.6% | 14.9% |
| 10 | CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | **13.5%** | 14.2% | 14.1% | 14.3% | 14.5% |
| 11 | Tier 1 (as a percentage of risk exposure amount) | **17.0%** | 17.0% | 16.9% | 17.0% | 17.4% |
| 12 | Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | **16.8%** | 16.6% | 16.5% | 16.7% | 17.0% |
| 13 | Total capital (as a percentage of risk exposure amount) | **20.1%** | 21.1% | 21.0% | 21.1% | 21.6% |
| 14 | Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | **19.8%** | 20.7% | 20.7% | 20.8% | 21.3% |
| | **Leverage ratio** | | | | | |
| 15 | Leverage ratio total exposure measure (£m) | **86,624** | 86,545 | 86,067 | 86,458 | 86,762 |
| 16 | Leverage ratio (%) | **5.0%** | 4.9% | 4.9% | 4.8% | 4.8% |
| 17 | Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied (%) | **4.9%** | 4.8% | 4.8% | 4.8% | 4.7% |

(1) Profits for the quarter ending 31 December 2023 have not been formally verified and are therefore excluded from the relevant figures disclosed in the table, in accordance with capital regulations.

## Appendix 1: Disclosures for CB Group consolidated

**Table 8: UK OV1 - Overview of risk-weighted assets**

The table below shows RWAs and minimum capital requirement by risk type and approach[1].

| | | A | B | C |
|---|---|---|---|---|
| | | Risk-weighted assets | | Total own funds requirements |
| | | **31 Dec 2023 £m** | 30 Sept 2023 £m | **31 Dec 2023 £m** |
| 1 | Credit risk (excluding CCR) | **22,289** | 21,907 | **1,783** |
| 2 | *of which: the standardised approach* | **6,645** | 6,431 | **532** |
| 3 | *of which: the foundation IRB (FIRB) approach* | **6,494** | 5,994 | **519** |
| 4 | *of which: slotting approach* | **399** | 410 | **32** |
| 5 | *of which: the advanced IRB (AIRB) approach* | **8,751** | 9,072 | **700** |
| 6 | Counterparty credit risk (CCR) | **324** | 424 | **26** |
| 7 | *of which: the standardised approach* | **159** | 141 | **13** |
| UK-8a | *of which: exposures to a CCP* | **6** | 5 | **0** |
| UK-8b | *of which: credit valuation adjustment (CVA)* | **159** | 278 | **13** |
| 23 | Operational risk | **2,841** | 2,841 | **227** |
| UK-23b | *of which: standardised approach* | **2,841** | 2,841 | **227** |
| 24 | Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) | **288** | 284 | **23** |
| **29** | **Total** | **25,454** | 25,172 | **2,036** |

(1) The Group’s Pillar 1 capital requirement for market risk is set to zero, therefore no figures are disclosed.

# Officers and professional advisers

| | |
|---|---|
| **Non-Executive Directors** | |
| **Board Chair** | David Bennett[(1)] |
| **Senior Independent Non-Executive Director** | Tim Wade[(2)] |
| **Independent Non-Executive Directors** | Lucinda Charles-Jones[(2) (3)] |
| | Geeta Gopalan[(2)]<br>Elena Novokreshchenova[(2)] |
| | Darren Pope[(2) (3)] |
| **Non-Executive Director** | Sara Weller[(4)] |
| **Executive Directors** | David Duffy |
| | Clifford Abrahams |
| **Group Company Secretary** | Lorna McMillan |

(1) Member of the Remuneration Committee and Governance and Nomination Committee.

(2) All Independent Non-Executive Directors are members of the Remuneration Committee, Audit Committee, Risk Committee and Governance and Nomination Committee.

(3) Lucinda Charles-Jones was appointed as an Independent Non-Executive Director on 22 January 2024 and will become Chair of the Remuneration Committee on 1 March 2024, subject to final regulatory approval, when Darren Pope steps down as Chair of that Committee.

(4) Member of the Governance and Nomination Committee.

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