TSB Bank plc

Large Subsidiary Disclosures

30 June 2026

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1. Introduction

This document presents the TSB Bank Plc (TSB) Pillar III Large Subsidiary Disclosures as at 30 June 2026. TSB operates in the United Kingdom (UK) and is authorised and regulated by the Prudential Regulation Authority (PRA). The disclosures have been prepared in accordance with the Disclosure (CRR) part of the PRA Rulebook. Previous comparative figures relate to TSB Banking Group plc. TSB became part of Grupo Santander on 1st May 2026, with subsequent changes in corporate structure resulting in TSB Banking Group plc no longer being the parent of TSB. As a result 30 June 2026 numbers are presented for TSB although the differences between the 2 reporting bases are immaterial.

Where specific rows and columns in the tables prescribed by the PRA are not applicable or are immaterial to TSB's activities, TSB may omit them and follow the same approach for comparative disclosures. The table below presents key metrics and additional information on capital metrics. It is provided for additional information as disclosure is not a requirement under article 447 for a large subsidiary.

Table 1: Key metrics (KM1)

	30 June 2026	31 December 2025	30 June 2025
Available capital (amounts)			
Common Equity Tier 1 (CET1) (£000)	**1,970,392**	1,949,276	1,850,858
Tier 1 capital (£000)	**2,220,392**	2,198,973	2,100,560
Total capital (£000)	**2,520,472**	2,498,973	2,400,560
Risk-weighted exposure amounts			
Total risk-weighted exposure amount (£000)	**11,764,835**	11,646,331	11,371,781
Capital ratios (as a percentage of risk-weighted exposure amount)			
Common Equity Tier 1 ratio	**16.75%**	16.74%	16.28%
Tier 1 ratio	**18.87%**	18.88%	18.47%
Total capital ratio	**21.42%**	21.46%	21.11%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
Additional own funds requirements to address risks other than the risk of excessive leverage	**2.60%**	2.60%	2.85%
Of which: to be made up of CET1 capital	**1.46%**	1.46%	1.60%
Of which: to be made up of Tier 1 capital	**1.95%**	1.95%	2.14%
Total SREP own funds requirements	**10.60%**	10.60%	10.85%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
Capital conservation buffer	**2.50%**	2.50%	2.50%
Institutional specific countercyclical capital buffer	**2.00%**	2.00%	2.00%
Combined buffer requirement	**4.50%**	4.50%	4.50%
Overall capital requirements	**15.10%**	15.10%	15.35%
CET1 available after meeting the total SREP own funds requirements(1)	**10.79%**	10.77%	10.17%
Leverage Ratio			
Leverage ratio total exposure measure(2) (£000)	**39,944,812**	40,220,383	40,251,519
Leverage ratio(2)	**5.56%**	5.47%	5.22%
Liquidity Coverage Ratio (LCR)			
Total high-quality liquid assets (HQLA) (Weighted value – average) (£000)	**6,551,659**	6,476,199	6,656,398
Cash outflows – Total weighted value (£000)	**3,736,560**	3,765,659	3,817,149
Cash inflows – Total weighted value (£000)	**260,428**	250,510	238,589
Total net cash outflows (adjusted value) (£000)	**3,476,133**	3,515,149	3,578,561
Liquidity coverage ratio(3)	**189%**	185%	186%
Net Stable Funding Ratio (NSFR)			
Total available stable funding (£000)	**40,458,735**	40,945,691	41,500,423
Total required stable funding (£000)	**26,542,338**	26,999,917	27,182,866
NSFR ratio(4)	**152%**	152%	153%

(1) Represents, as a percentage, the level of CET1 capital available to meet buffer requirements after meeting total Pillar 1 and Pillar 2A capital requirements.

(2) Leverage ratio exposure and leverage ratio % have been calculated as defined in the PRA Rulebook introduced with effect from January 2022.

(3) LCR presented is based on a twelve month simple average.

(4) NSFR ratio presented is based on a four quarter simple average.

2. Own funds

2.1 Own funds

TSB's own funds as at 30 June 2026 is presented in the table below.

Table 2: Composition of regulatory own funds (CC1)[1]

		30 June 2026 £000s	Reference (Table CC2)
CET1 capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	275,000	(*) 32, 33
	of which: Common shares	79,450	32
2	Retained earnings	1,343,172	36
3	Accumulated other comprehensive income (and other reserves)	431,529	(*) 38, 42
5a	Independently reviewed interim profits net of any foreseeable charge or dividend[2]	(10,938)	41
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**2,038,763**	**---**
Common Equity Tier 1 capital: regulatory adjustments			
7	Additional value adjustments	(1,284)	---
8	Intangible assets (net of related tax liability)	(25,773)	---
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(6,700)	---
12	Negative amounts resulting from the calculation of expected loss amounts	(28,973)	
27a	Other regulatory adjustments (including IFRS 9 transitional adjustments when relevant)	(5,641)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(68,371)**	---
29	**Common Equity Tier 1 (CET1) capital**	**1,970,392**	---
30	Capital instruments and the related share premium accounts	250,000	34
31	of which: classified as equity under applicable accounting standards	**250,000**	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**250,000**	
44	**Additional Tier 1 (AT1) capital**	**250,000**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**2,220,392**	
Tier 2 Capital: Instruments and Provisions			
46	Capital instruments and the related share premium accounts	300,000	---
50	Credit risk adjustments	80	
51	**Tier 2 (T2) capital before regulatory adjustments**	**300,080**	---
58	**Tier 2 (T2) capital**	**300,080**	---
59	**Total capital (TC = T1 + T2)**	**2,520,472**	---
60	**Total risk exposure amount**	**11,764,835**	---

CET1 has increased since the year end by £21m to £1,970 million primarily due to the reduction in regulatory deduction for intangible assets partly offset by other adjustments due to changes in accounting policy relating to the change in control of TSB to Santander UK.

Table 2: Composition of regulatory own funds (CC1)[1]

		30 June 2026 £000s	Reference (Table CC2)
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.75%	---
62	Tier 1 (as a percentage of total risk exposure amount)	18.87%	---
63	Total capital (as a percentage of total risk exposure amount)	21.42%	---
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)	10.46%	---
65	of which: capital conservation buffer requirement	2.50%	---
66	of which: countercyclical buffer requirement	2.00%	---
67b	of which: additional own funds requirements to address risks other than the risk of excessive leverage.	1.46%	---
68	Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)	10.79%	---
Amounts below the thresholds for deduction (before risk weighting)			
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	---
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) are met)[3]	31,040	---
Limits applicable to the inclusion of provisions in Tier 2 capital			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	7,485	---
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	80	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	56,639	---

(1) (*) in reference to Table CC2 column indicates sum of, or using elements of the row referenced from Table CC2.

(2) TSB's interim profits have not been verified and the charge reported relates to the coupon on the Additional Tier 1 capital.

(3) Net deferred tax has not been adjusted for deferred tax liabilities already netted against related intangible fixed assets.

2.2 Other capital disclosures

TSB does not have an obligation to publish audited half year financial statements and therefore the table below is prepared based on unpublished and unaudited financial statements.

Table 3: Reconciliation of regulatory own funds to balance sheet in the financial statements (CC2)[1]

	Assets – Breakdown by asset classes according to the balance sheet in the published financial accounts	Balance sheet as per published financial statements 30 June 2026 £000	Under regulatory scope of consolidation 30 June 2026 £000	Reference (table CC1)
1	Cash, cash balances at central banks and other demand deposits	3,805,570	3,805,570	---
2	Financial assets held for trading	411,812	411,812	---
5	Financial assets at fair value with changes in other comprehensive income	471,137	471,137	---
6	Financial assets at amortised cost	38,322,613	38,322,613	---
7	Derivatives - hedge accounting	1,017,615	1,017,615	---
8	Changes in the fair value of hedged items in a portfolio hedged risk	(78,835)	(78,835)	---
11	Tangible assets	187,258	187,258	---
12	Intangible assets	33,242	33,242	---
13	Tax assets	50,565	50,565	---
14	Memorandum items: Deferred tax assets	19,866	19,866	---
15	Other assets	119,670	119,670	---
17	**TOTAL ASSETS**	**44,340,647**	**44,340,647**	**---**
18	Financial liabilities held for trading	391,548	391,548	---
20	Financial liabilities at amortised cost	41,463,350	41,463,350	---
21	Derivatives - hedge accounting	32,060	32,060	---
22	Changes in the fair value of hedged items in a portfolio hedged risk	(56,951)	(56,951)	---
24	Provisions	33,097	33,097	---
25	Tax liabilities	-	-	---
28	Other liabilities	157,835	157,835	---
30	**TOTAL LIABILITIES**	**42,020,939**	**42,020,939**	**---**
	Equity			
31	Own Funds	2,317,036	2,317,036	(*) 1,2,3,5a, 36
32	Capital	79,450	79,450	1
33	Issue premium	195,550	195,550	(*) 1
34	Equity instruments issued other than capital	250,000	250,000	(*) 30
36	Accumulated profits	1,343,172	1,343,172	2
38	Other reserves	428,857	428,857	(*) 3
40	Result attributed to the owners of the parent company[2]	30,945	30,945	---
41	Interim dividends[2]	(10,938)	(10,938)	5a
42	Accumulated other comprehensive income	2,672	2,672	(*) 3
44	**Shareholders' equity**	**2,319,708**	**2,319,708**	**---**

(1) (*) in reference to Table CC1 column indicates "sum of" or using elements of the row referenced from Table CC1.
(2) TSB's interim profits have not been verified and the interim dividend reported relates to the coupon on the Additional Tier 1 capital.

3. Capital requirements

3.1 Risk weighted assets and Pillar 1 capital requirements

The risk weighted assets and Pillar 1 capital requirements of TSB as at 30 June 2026 are presented in the following table:

Table 4: Overview of risk weighted exposure amounts (OV1)

	RWAs	RWAs	RWAs	**Total own funds requirements(1)**
	30 June 2026 £000s	31 March 2026 £000s	31 December 2025 £000s	**30 June 2026 £000s**
Credit risk (excluding CCR)	**9,936,561**	9,955,100	9,802,107	**794,925**
Of which the standardised approach(2)	496,705	883,740	863,643	39,736
Of which the advanced IRB (AIRB) approach	9,439,856	9,071,360	8,938,464	755,189
of which Non-credit obligations(3)	413,703	-	-	33,096
Counterparty credit risk (CCR)	**34,475**	40,482	34,637	**2,758**
Of which the standardised approach	4,665	6,667	5,933	373
Of which exposures to a CCP	1,434	1,443	1,360	115
Of which credit valuation adjustment - CVA	9,645	14,636	11,121	772
Of which other CCR	18,731	17,736	16,223	1,498
Operational risk	**1,716,199**	1,725,340	1,725,340	**137,296**
Of which standardised approach	1,716,199	1,725,340	1,725,340	137,296
Amounts below the thresholds for deduction (subject to 250% risk weight)(2)	**77,600**	88,158	84,247	**6,208**
Total	**11,764,835**	11,809,080	11,646,331	**941,187**

(1) Under Pillar 1, firms are required to maintain minimum regulatory capital levels at 8% of RWAs.

(2) Amounts below the thresholds for deduction subject to 250% risk weight has been presented as a separate row included in the overall total rather than an 'of which' of the standardised approach.

(3) Non-credit obligation assets (IRB approach) predominantly relate to other balance sheet assets that have no associated credit risk.

Since the year end, IRB RWAs have increased reflecting an overall increase in secured mortgage RWAs partly offset by reduction in personal loan RWAs from a reduction in lending. Non-credit obligations have been reallocated from standardised to IRB as agreed with the PRA.

3.2 Risk weighted assets movements by key driver

Analysis of movements in IRB credit risk weighted exposure amounts (RWEAs) from 31 March 2026 to 30 June 2026 and from 31 December 2025 to 30 June 2026 is presented below. The table excludes non-credit obligations reported under IRB approach.

Table 5: RWEA flow statements of credit risk exposures under the IRB approach (CR8)

	Risk weighted exposure amount	
	3 months to 30 June 2026 £000s	6 months to 30 June 2026 £000s
Risk weighted exposure amount as at the end of the previous reporting period	**9,071,360**	8,938,464
Asset size (+/-)	(55,644)	14,359
Asset quality (+/-)	(4,750)	58,143
Methodology and policy (+/-)	15,187	15,187
Risk weighted exposure amount as at the end of the reporting period	**9,026,153**	9,026,153

Asset size RWA movement during Q2 2026 is due to reductions in unsecured lending book which is only partially offset by increase in mortgage RWAs from new lending. Over the full 6 months to 30 June 26 increases in RWAs from new mortgage lending more than offset the unsecured lending reductions. Decrease in RWAs due to asset quality during Q2 2026 is due to increased probability of default offset by improvements in loss given defaults (LGD) and house price index (HPI) for secured mortgages lending which was partly offset by an increase in unsecured RWAs from Q2 calibration impact. Over the full 6 months to 30 June 26 increases in RWAs were driven primarily by mortgage and revolving retail exposures, reflecting the more challenging economic outlook in the first half of 2026.

Methodology and policy movement represent an increase in RWAs for requirements set out within the CRR to have risk models aligned with new definition of default regulations.

4. Countercyclical Capital Buffer

Countercyclical capital buffer (CCyB)

The Financial Policy Committee (FPC) of the Bank of England is responsible for setting the UK CCyB. This has been set to 2.0% since July 2023.

Table 6: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (CCyB1)

30 June 2026	General credit exposures		Total exposure value	Own funds requirements		Risk-weighted exposure amounts	Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value under the standardised approach	Exposure value under the IRB approach		Relevant credit risk exposures – Credit Risk				
	£000s	£000s	£000s	£000s	£000s	£000s	%	%
Breakdown by country								
Country: United Kingdom	886,095	40,960,061	41,846,156	782,910	782,910	9,786,372	100.00%	2.00%
Total	**886,095**	**40,960,061**	**41,846,156**	**782,910**	**782,910**	**9,786,372**	**100.00%**	**2.00%**
31 December 2025								
Country: United Kingdom	1,395,378	40,545,154	41,940,532	772,927	772,927	9,661,582	100.00%	2.00%
Total	1,395,378	40,545,154	41,940,532	772,927	772,927	9,661,582	100.00%	2.00%

Table 7: Amount of institution specific countercyclical capital buffer (CCyB2)

	June 2026 £000s	December 2025 £000s
Total risk exposure amount	11,764,835	11,646,331
Institution specific countercyclical buffer rate %	2.00%	2.00%
Institution specific countercyclical buffer requirement	235,297	232,927

5. Credit risk

5.1 Concentration of exposures: By industry

Gross exposures to non-financial corporations as at 30 June 2026, analysed by major industrial sector are provided in the table below:

Table 8: Credit quality of loans and advances by industry (CQ5)

30 June 2026 £000	Gross carrying amount				Accumulated impairment
		Of which: non-performing		Of which: loans and advances subject to impairment	
	Total		Of which: defaulted		
Agriculture, forestry, and fishing	1,706	1	1	1,706	(1)
Mining and quarrying	15	-	-	15	-
Manufacturing	2,062	196	196	2,062	(11)
Electricity, gas, steam, and air conditioning supply	30	-	-	30	-
Water supply	425	-	-	425	(1)
Construction	8,915	752	711	8,915	(72)
Wholesale and retail trade	36,802	684	684	36,802	(236)
Transport and storage	2,495	43	43	2,495	(4)
Accommodation and food service activities	7,194	658	626	7,194	(147)
Information and communication	3,025	259	240	3,025	(14)
Real estate activities	82,837	448	422	82,837	(549)
Professional, scientific, and technical activities	11,103	490	468	11,103	(27)
Administrative and support service activities	2,954	544	462	2,954	(28)
Public administration and defense, compulsory social security	61	2	2	61	-
Education	2,432	75	62	2,432	(5)
Human health services and social work	22,564	112	99	22,564	(142)
Arts, entertainment, and recreation	821	44	44	821	(1)
Other services	1,775	122	122	1,775	(6)
Total	**187,216**	**4,430**	**4,182**	**187,216**	**(1,244)**

5.2 Credit risk exposure: Geographical breakdown of exposures

TSB's credit risk exposures arising outside of the UK are not deemed material in the context of TSB's balance sheet as they are below the reporting thresholds (10% of gross exposures or 2% qualifying RWAs) applied for regulatory reporting.

All credit risk exposures as at 30 June 2026 are therefore categorised as being in the UK.

5.3 Credit risk exposure: Analysis by maturity

Net balance sheet credit risk exposures as at 30 June 2026, analysed by residual contractual maturity, are provided in the table below:

Table 9: Maturity of exposures (CR1-A)

	Net exposure value					
30 June 2026	**On Demand**	**≤ 1 year**	**> 1 year ≤ 5 years**	**> 5 years**	**No stated maturity**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Loans and advances	4,077,482	565,532	2,548,355	34,286,321	8,757	41,486,447
Debt Securities	-	74,753	580,503	1,724,317	-	2,379,573
Total	**4,077,482**	**640,285**	**3,128,858**	**36,010,638**	**8,757**	**43,866,020**

On demand amounts largely relate to overdrafts on personal current accounts and credit card exposures. The greater than 5 years amounts largely relate to secured retail mortgages and gilts.

5.4 Credit risk exposure: Non-Performing Loans and Advances

This table illustrates the changes in the stock of non-performing loans and advances. As TSB's non-performing loan ratio <5%, other non-performing exposures reporting requirements are out of scope.

Table 10: Changes in the stock of non-performing loans and advances (CR2)

30 June 2026 **£000**	**Gross carrying amount**
Initial stock of non-performing loans and advances as at 31 December 2025	**547,595**
Inflows to non-performing portfolios	149,220
Outflows from non-performing portfolios	(181,333)
Outflows due to write-offs	(22,244)
Outflows due to other situations	(159,089)
Final stock of non-performing loans and advances as at the end of the reporting period	**515,483**

5.5 Standardised approach: Credit risk exposure and Credit Risk Mitigation (CRM) effects

The following table provides a measure of the risk of each portfolio by analysing RWA density.

Table 11: Standardised approach - Credit risk exposure and CRM effects (CR4)[1]

30 June 2026	**Exposures before CCF and CRM**		**Exposures post CCF and CRM**			
	On-balance-sheet amount	**Off-balance-sheet amount**	**On-balance-sheet amount**	**Off-balance-sheet amount**	**RWAs**	**RWA density**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**%**
Central governments or central banks	5,423,171	-	5,617,116	-	77,600	1.38%
Public sector entities	126,399	-	-	-	-	0.00%
Multilateral development banks	265,090	-	265,090	-	-	0.00%
Institutions	486,406	-	486,406	-	150,190	30.88%
Corporates	28,249	9,930	28,249	4,965	29,788	89.69%
Retail	183,852	21,135	126,372	4,233	78,540	60.14%
Secured by mortgages on immovable property	442,180	38,641	441,851	19,225	160,492	34.81%
Exposures in default	66,621	553	56,884	266	57,290	100.24%
Covered bonds	204,050	-	204,050	-	20,405	10.00%
Other items [2]	-	-	-	-	-	0.00%
Total	**7,226,018**	**70,259**	**7,226,018**	**28,689**	**574,305**	**7.92%**

(1) The main sources of CRM relate to Government guarantees on Bounce Back Loans (BBLs) as evident from the transfer of exposures before CRM from Retail to Central Governments on a post CRM basis. Reallocation from Public sector entities to central governments is also due to CRM.
(2) Non-credit obligations have been reallocated from standardised to IRB

31 December 2025	Exposures before CCF and CRM		Exposures post CCF and CRM			
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
	£000s	£000s	£000s	£000s	£000s	%
Central governments or central banks	5,836,173	-	6,062,090	-	35,512	0.59%
Public sector entities	125,003	-	-	-	-	0.00%
Multilateral development banks	252,809	-	252,809	-	-	0.00%
Institutions	450,098	19,465	450,098	19,465	189,261	40.31%
Corporates	34,154	-	34,154	-	30,002	87.84%
Retail	223,125	22,993	135,186	4,604	84,332	60.33%
Secured by mortgages on immovable property	479,996	51,014	479,477	25,375	175,735	34.81%
Exposures in default	72,740	698	60,283	337	60,969	100.58%
Covered bonds	216,819	-	216,819	-	21,682	10.00%
Other items	428,341	11,707	428,341	10,803	350,397	79.79%
Total	8,119,258	105,877	8,119,257	60,584	947,890	11.59%

(1) The main sources of CRM relate to Government guarantees on Bounce Back Loans (BBLs) as evident from the transfer of exposures before CRM from Retail to Central Governments on a post CRM basis.

5.6 Management of customers experiencing financial difficulties

Table 12: Credit quality of forborne exposures (CQ1)

30 June 2026 £000	Gross carrying amount / Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Non-performing forborne						
	Performing forborne	**Total**	**Of which defaulted**	**Of which impaired**	**On performing forborne exposures**	**On non-performing forborne exposures**	**Total**	**Of which collateral and financial guarantees received on non-performing exposures with forbearance measures**
Loans and advances	**99,888**	**301,377**	**216,746**	**301,377**	**(2,001)**	**(64,447)**	**301,840**	**214,116**
Other financial corporations	-	25	25	**25**	-	-	**25**	25
Non-financial corporations	2,602	398	398	398	(178)	(147)	2,676	251
Households	97,286	300,954	216,323	300,954	(1,823)	(64,300)	299,139	213,840
Loan commitments given	**9,088**	**20,123**	**7,275**	**20,123**	**(73)**	**(105)**	**-**	**-**
Total	**108,976**	**321,500**	**224,021**	**321,500**	**(2,074)**	**(64,552)**	**301,840**	**214,116**

(1) Accumulated impairment on Loan commitments reported as negative consistent with Loans and advances for presentational purposes.

31 December 2025 £000	Gross carrying amount / Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Non-performing forborne						
	Performing forborne	Total	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures	Total	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
Loans and advances	103,381	305,110	221,124	305,110	(1,906)	(64,443)	309,649	219,926
Other financial corporations	-	28	28	28	-	-	28	28
Non-financial corporations	2,554	348	348	348	(199)	(138)	2,565	210
Households	100,827	304,734	220,748	304,734	(1,707)	(64,305)	307,056	219,688
Loan commitments given	9,521	20,174	7,879	20,174	(75)	(34)	-	-
Total	112,902	325,284	229,003	325,284	(1,981)	(64,477)	309,649	219,926

(1) Accumulated impairment on Loan commitments reported as negative consistent with Loans and advances for presentational purposes.

5.7 Past due and impaired loans and advances to customers regardless of impairment status

As at 30 June 2026, past due (>30 days) or non-performing exposures in respect of loans and advances to customers, regardless of impairment status, amounted to £570 million, of which £542 million relates to non-performing exposures.

All past due but not impaired loans and advances to customers and impaired loans and advances to customers at 30 June 2026 are categorised as being in the United Kingdom, based on the materiality criteria, outlined on page 11 relating to credit exposures.

5.8 Analysis of impairment provisions in respect of loans and advances to customers

Table 13: Performing and non-performing exposures and related provisions[1] (CR1)

	Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions[2]						Collateral and financial guarantees received	
30 June 2026	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
£000	Total	of which: stage 1	of which: stage 2	Total	of which: stage 2	of which: stage 3	Total	of which: stage 1	of which: stage 2	Total	of which: stage 2	of which: stage 3		
Cash balances at central banks and other demand deposits	**3,748,329**	**3,748,329**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**36,088,575**	**33,270,118**	**2,769,122**	**515,483**	**-**	**496,310**	**(104,783)**	**(32,242)**	**(72,273)**	**(85,099)**	**-**	**(83,772)**	**33,646,621**	**403,646**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	1,762	1,762	-	-	-	-	-	-	-	-	-	-	1,762	-
Credit institutions	389,860	389,860	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	7,917	7,875	42	25	-	25	(15)	(15)	-	-	-	-	1,830	25
Non-financial corporations	182,786	174,802	7,984	4,430	-	4,430	(1,006)	(760)	(246)	(238)	-	(238)	176,865	4,189
of which SMEs	182,786	174,802	7,984	4,430	-	4,430	(1,006)	(760)	(246)	(238)	-	(238)	176,865	4,189
Households	35,506,250	32,695,819	2,761,096	511,028	-	491,855	(103,762)	(31,467)	(72,027)	(84,861)	-	(83,534)	33,466,164	399,432
Debt securities	**2,379,573**	**2,379,573**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
General governments	1,645,968	1,645,968	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	682,672	682,672	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	50,933	50,933	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**5,050,002**	**4,866,120**	**182,657**	**27,066**	**-**	**27,050**	**(4,192)**	**(2,278)**	**(1,914)**	**(606)**	**-**	**(528)**	**-**	**-**
Credit institutions	558	**558**	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	79	79	-	15	-	15	-	-	-	-	-	-	-	-
Non-financial corporations	10,688	10,546	143	11	-	11	-	-	-	-	-	-	-	-
Households	5,038,677	4,854,937	182,514	27,040	-	27,024	(4,192)	(2,278)	(1,914)	(606)	-	(528)	-	-
Total	**47,266,479**	**44,264,140**	**2,951,779**	**542,549**	**-**	**523,360**	**(108,975)**	**(34,520)**	**(74,187)**	**(85,705)**	**-**	**(84,300)**	**33,646,621**	**403,646**

(1) Table reported in accordance with FINREP definitions.
(2) Accumulated impairment on Loan commitments reported as negative consistent with Loans and advances for presentational purposes.

	Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions[2]						Collateral and financial guarantees received	
31 December 2025	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
£000	Total	of which: stage 1	of which: stage 2	Total	of which: stage 2	of which: stage 3	Total	of which: stage 1	of which: stage 2	Total	of which: stage 2	of which: stage 3		
Cash balances at central banks and other demand deposits	4,130,864	4,130,864	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	36,326,063	33,532,157	2,741,535	547,595	-	526,740	(82,464)	(31,658)	(50,648)	(88,691)	-	(86,326)	33,881,926	420,686
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	1,537	1,537	-	-	-	-	-	-	-	-	-	-	1,537	-
Credit institutions	343,790	343,790	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	90,659	90,592	66	61	-	61	(15)	(15)	-	(6)	-	(6)	1,911	55
Non-financial corporations	210,734	199,893	10,842	5,923	-	5,923	(1,503)	(854)	(649)	(304)	-	(304)	203,545	5,611
of which SMEs	210,734	199,893	10,842	5,923	-	5,923	(1,503)	(854)	(649)	(304)	-	(304)	203,545	5,611
Households	35,679,343	32,896,345	2,730,627	541,611	-	520,756	(80,946)	(30,789)	(49,999)	(88,381)	-	(86,016)	33,674,933	415,020
Debt securities	2,426,572	2,426,572	-	-	-	-	-	-	-	-	-	-	-	-
General governments	1,701,390	1,701,390	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	674,450	674,450	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	50,732	50,732	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	4,979,823	4,806,300	172,109	27,032	-	26,989	(4,283)	(2,443)	(1,839)	(82)	-	(82)	-	-
Credit institutions	357	357	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	86	86	-	15	-	15	-	-	-	-	-	-	-	-
Non-financial corporations	11,674	11,430	244	40	-	40	-	-	-	-	-	-	-	-
Households	4,967,706	4,794,427	171,865	26,977	-	26,934	(4,283)	(2,443)	(1,839)	(82)	-	(82)	-	-
Total	47,863,322	44,895,893	2,913,644	574,627	-	553,729	(86,747)	(34,101)	(52,487)	(88,773)	-	(86,408)	33,881,926	420,686

(1) Table reported in accordance with FINREP definitions.
(2) Accumulated impairment on Loan commitments reported as negative consistent with Loans and advances for presentational purposes.

5.9 Credit risk mitigation

Table 14: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A)

30 June 2026 £000	**Total exposures**	**Credit Risk Mitigation Techniques**		**Credit Risk Mitigation Methods in the calculation of RWEAs**	
		Funded Credit Protection (FCP)			
		Other eligible collaterals	**Immovable property collaterals(1)**	**RWEA without substitution effects**	**RWEA with substitution effects**
	a	**c**	**d**	**m**	**n**
Retail	40,489,116	186.90%	186.90%	9,026,153	9,026,153
Of which Retail – Immovable property Non-SMEs	36,143,054	209.37%	209.37%	6,405,097	6,405,097
Of which Retail – Qualifying revolving	3,081,883	0.00%	0.00%	1,229,220	1,229,220
Of which Retail – Other non-SMEs	1,264,179	0.00%	0.00%	1,391,836	1,391,836
Total	**40,489,116**	**186.90%**	**186.90%**	**9,026,153**	**9,026,153**

31 December 2025 £000	Total exposures	Credit Risk Mitigation Techniques		Credit Risk Mitigation Methods in the calculation of RWEAs	
		Funded Credit Protection (FCP)			
		Other eligible collaterals	Immovable property collaterals(1)	RWEA without substitution effects	RWEA with substitution effects
	a	c	d	m	n
Retail	40,545,154	189.72%	189.72%	8,938,464	8,938,464
Of which Retail – Immovable property Non-SMEs	36,181,086	212.61%	212.61%	6,277,244	6,277,244
Of which Retail – Qualifying revolving	3,077,298	0.00%	0.00%	1,226,418	1,226,418
Of which Retail – Other non-SMEs	1,286,770	0.00%	0.00%	1,434,802	1,434,802
Total	40,545,154	189.72%	189.72%	8,938,464	8,938,464

(1) The disclosed value of collateral used to calculate the percentage is the indexed market value.

Table 15: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques (CR3)

30 June 2026 £000	**Unsecured carrying amount**	**Secured Carrying Amount**			
				Of which secured by financial guarantees	
		Total	**Of which secured by collateral**	**Total**	**Of which secured by credit derivatives**
Loans and advances[1]	6,112,239	34,050,267	33,939,994	110,273	-
Debt securities	2,379,573	-	-	-	
Total	8,491,812	34,050,267	33,939,994	110,273	-
Of which non-performing exposures	26,739	403,646	397,384	6,262	-
Of which defaulted[2]	22,225	323,131			

(1) Loans and advances exclude cash balances at central banks or other assets.

(2) Of which default is reported net of impairment provisions.

31 December 2025 £000	Unsecured carrying amount	Secured Carrying Amount			
				Of which secured by financial guarantees	
		Total	Of which secured by collateral	Total	Of which secured by credit derivatives
Loans and advances[1]	6,530,755	34,302,612	34,154,592	148,020	-
Debt securities	2,426,572	-	-	-	
Total	8,957,327	34,302,612	34,154,592	148,020	-
Of which non-performing exposures	38,218	420,686	411,886	8,799	-
Of which defaulted[2]	34,225	348,790			

(1) Loans and advances exclude cash balances at central banks or other assets.

(2) Of which default is reported net of impairment provisions.

Decrease in unsecured loans and advances largely reflects lower balances held with Bank of England, while movement in secured by collateral reflects retail mortgage lending.

6 Leverage ratio

The following tables present disclosures on the leverage ratio with only rows applicable to TSB presented. The disclosures have been prepared in accordance with the disclosure part of the PRA Rulebook.

Table 16: LRSum: Summary reconciliation of accounting assets and leverage ratio exposure (UK LR1)

Applicable Amounts	**30 June 2026 £000s**	31 December 2025 £000s
Total assets as per published financial statements	44,340,647	45,285,954
(Adjustment for exemption of exposures to central banks)	(3,864,213)	(4,291,180)
Adjustments for derivative financial instruments	(1,298,912)	(1,335,742)
Adjustment for securities financing transactions (SFTs)	56,172	44,362
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	703,375	703,149
(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	(1,284)	(1,276)
Other adjustments	9,026	(184,884)
Leverage ratio total exposure measure	**39,944,812**	40,220,383

Table 17: LRCom: Leverage ratio common disclosure (UK LR2)

CRR leverage ratio exposure	**30 June 2026 £000s**	31 December 2025 £000s
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs, but including collateral)	42,936,819	43,610,617
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(17,031)	(36,771)
(Asset amounts deducted in determining Tier 1 capital)	(68,372)	(154,581)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**42,851,417**	43,419,265
Derivative exposures		
Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	55,341	103,114
Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	75,175	78,763
Total derivatives exposures	**130,516**	181,877
Securities financing transaction (SFT) exposures		
Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	61,994
Counterparty credit risk exposure for SFT assets	56,172	44,363
Total securities financing transaction exposures	**56,172**	106,357
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	5,086,818	5,035,411
(Adjustments for conversion to credit equivalent amounts)	(4,383,443)	(4,332,262)
Off-balance sheet exposures	**703,375**	703,149
Capital and total exposures measure		
Tier 1 capital (leverage)	2,220,392	2,198,973
Total exposure measure including claims on central banks	43,741,479	44,410,648
(-) Claims on central banks excluded	(3,796,667)	(4,190,265)
Total exposure measure excluding claims on central banks	**39,944,812**	40,220,383
Leverage ratio		
Leverage ratio excluding claims on central banks	5.56%	5.47%
Fully loaded ECL accounting model Leverage ratio excluding claims on central banks	5.56%	5.47%
Leverage ratio including claims on central banks	5.08%	4.95%

The increase in the leverage ratio has been driven by an increase in capital and reduction in exposure measure (including and excluding claims on central banks). As noted previously, capital has increased due to the regulatory adjustment reflecting reduction in intangible assets partly offset by other adjustments due to changes in accounting policy relating to the change in control of TSB to Santander UK.

The exposure measure has reduced mainly due to reduction in retail lending exposures.

Table 18: LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (UK LR3)

Leverage ratio exposures	**30 June 2026 £000s**	31 December 2025 £000s
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**42,919,788**	43,573,846
Banking book exposures, of which:	42,919,788	43,573,846
Covered bonds	204,050	216,819
Exposures treated as sovereigns	5,758,289	6,121,182
Institutions	486,406	450,098
Secured by mortgages of immovable properties	33,544,938	33,752,572
Retail exposures	2,052,537	2,060,877
Corporate	28,249	34,154
Exposures in default	356,498	387,297
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	488,821	550,847

Exempted exposures consist of variation margin pledged of £17 million at 30 June 2026 and £37 million at 31 December 2025.

7 Liquidity

The Liquidity Coverage Ratio (LCR) is a key regulatory tool used to monitor the short-term liquidity adequacy of the bank.

7.1 Quantitative information on Liquidity Coverage Ratio

The table below reflects the trailing 12 month-end average LCR balances at the applicable quarter end dates.

Table 19: Quantitative information of LCR (UK LIQ1)

	Total unweighted value (average)				Total weighted value (average)			
£000	**30 June 2026**	**31 March 2026**	**31 December 2025**	**30 September 2025**	**30 June 2026**	**31 March 2026**	**31 December 2025**	**30 September 2025**
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA)					**6,551,659**	**6,549,116**	**6,476,199**	**6,551,130**
CASH - OUTFLOWS								
Retail deposits and deposits from small business customers, of which:	**35,130,208**	**35,166,207**	**35,155,161**	**35,129,450**	**2,245,134**	**2,283,894**	**2,317,967**	**2,322,164**
Stable deposits	26,648,134	26,175,130	25,674,260	25,486,453	1,332,407	1,308,757	1,283,713	1,274,323
Less stable deposits	6,105,559	6,524,966	6,928,769	7,028,503	912,728	975,137	1,034,254	1,047,842
Unsecured wholesale funding	**294,419**	**258,167**	**233,225**	**213,477**	**186,070**	**149,931**	**125,334**	**106,224**
Non-operational deposits (all Counterparties)	191,115	192,322	193,405	193,791	82,765	84,087	85,514	86,538
Unsecured debt	103,305	65,845	39,820	19,686	103,305	65,844	39,820	19,686
Secured wholesale funding					-		-	-
Additional requirements	**3,553,815**	**3,562,443**	**3,621,634**	**3,780,361**	**378,111**	**405,321**	**438,640**	**474,078**
Outflows related to derivative exposures and other collateral requirements	210,969	239,156	271,115	300,063	210,969	239,156	271,114	300,063
Credit and liquidity facilities	3,342,846	3,323,287	3,350,519	3,480,298	167,142	166,165	167,526	174,015
Other contractual funding obligations	**237,047**	**228,562**	**219,531**	**212,115**	**172,159**	**163,621**	**153,947**	**145,025**
Other contingent funding obligations	**1,779,192**	**1,799,998**	**1,852,479**	**1,900,320**	**755,086**	**734,963**	**729,771**	**721,803**
TOTAL CASH OUTFLOWS					**3,736,560**	**3,737,730**	**3,765,659**	**3,769,294**
CASH - INFLOWS								
Secured lending (e.g. reverse repos)	5,166	5,166	5,166	**-**	-	-	-	-
Inflows from fully performing exposures	348,743	341,069	344,072	343,703	257,545	247,974	248,659	245,235
Other cash inflows	7,109	6,694	5,792	7,684	2,883	2,641	1,851	3,796
TOTAL CASH INFLOWS	**361,018**	**352,929**	**355,030**	**351,387**	**260,428**	**250,615**	**250,510**	**249,031**
Inflows subject to 75% cap	**361,018**	352,929	355,030	351,387	**260,428**	250,615	250,510	249,031
TOTAL ADJUSTED VALUE								
LIQUIDITY BUFFER					**6,551,659**	**6,549,116**	**6,476,199**	**6,551,130**
TOTAL NET CASH OUTFLOWS					**3,476,132**	**3,487,115**	**3,515,149**	**3,520,263**
LIQUIDITY COVERAGE RATIO (1)					**189%**	**188%**	**185%**	**186%**

(1) The ratios reported in the above table are simple averages of month-end LCR ratios over the trailing 12 months to the reporting quarter date. Therefor these ratios may not be equal to the implied LCR % calculated when using the average component amounts reported under 'LIQUIDITY BUFFER' and 'TOTAL NET CASH OUTFLOWS' in the above table.

Table 20: Qualitative information on LCR, which complements template UK LIQ1 (UK LIQB)

In accordance with Article 451a(2) CRR

Row	Requirement	
(a)	Explanations on the main drivers of the LCR results and the evolution of the contribution of inputs to the LCR's calculation over time.	TSB is primarily funded by retail deposits, in particular current and savings accounts, the majority of which are categorised as stable for LCR reporting. Non-retail sources of funding provide diversification and stability to the bank's funding profile. This funding includes cash drawings from external wholesale funding such as the bank's Covered Bond issuances.
(b)	Explanations on the changes in the LCR over time.	The 12 month-end average LCR for the year to June 2026 increased to 189% (vs December 2025: 185%). This increase is primarily driven by a decrease in net outflows (mainly due to a decrease in HLBA) and an increase in net retail funding.
(c)	Explanations on the actual concentration of funding sources.	TSB continued to maintain a strong average LCR over the reporting period with a prudent surplus to both Board approved risk appetite and regulatory minimum requirements. TSB has several sources of funding which are well diversified in terms of the type of instrument, programmes, counterparty, term structure and market. TSB's main source of funding is from retail customer funding, which is supplemented with wholesale funding to support balance sheet growth.
(d)	High-level description of the composition of the institution's liquidity buffer.	The liquidity buffer is composed primarily of BoE Withdrawable Central Bank Reserves and UK Government Gilts. The remainder includes Bonds issued by multilateral development banks and international organisations, extremely high-quality and high-quality Covered Bonds, and Coins and Banknotes.
(e)	Derivative exposures and potential collateral calls.	Derivative transactions are largely subject to collateral agreements, protecting them against any changes in their market value. In addition, the LCR considers the liquidity risk from additional outflows arising from collateral requirements that would result from the impact of an adverse market scenario on the institution's derivatives transactions, which could potentially reduce the banks Liquidity Buffer. Within the LCR, the most significant net change in 30 days over the time horizon of the preceding 24 months is calculated and then included as a liquidity requirement.
(f)	Currency mismatch in the LCR.	The LCR is calculated and reported on a consolidated basis in GBP. TSB has no material exposure to other currencies.
(g)	Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile.	TSB has no other items in its LCR calculation, that are not captured in the LCR UK LIQ1 disclosure template, that it considers relevant for its liquidity profile.

7.2 Net Stable Funding

The net stable funding ratio (NSFR) is an important regulatory metric used in TSB to monitor the stability of the funding profile in relation to its on and off-balance sheet activities. It is reported monthly and forms part of TSB's Risk Appetite metrics.

The table below reflects the average NSFR balances at the 30 June 2026, based on the quarter-end NSFRs for the last four quarters. The average NSFR for the four quarter ends in the year to 30 June 2026 was 152% (31 December 2025: 152%), shown in the LIQ2 disclosure table below.

Table 21: Net Stable Funding Ratio (UK LIQ2)

30 June 2026 £000	Unweighted value by residual maturity				
Available stable funding (ASF) Items	**No maturity[(1)]**	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	**Weighted value**
Capital items and instruments	2,298,679	150,000	-	150,000	2,448,679
Own funds	2,298,679	150,000	-	150,000	2,448,679
Retail deposits		33,643,428	1,028,606	395,861	33,045,347
Stable deposits		27,864,492	1,028,606	395,861	27,844,304
Less stable deposits		5,778,936	-	-	5,201,042
Wholesale funding:		535,525	831,113	4,457,326	4,964,710
Other wholesale funding		535,525	831,113	4,457,326	4,964,710
Other liabilities:	-	334,366	-	-	-
NSFR derivative liabilities	-				
All other liabilities and capital instruments not included in the above categories		334,366	-	-	-
Total available stable funding (ASF)					**40,458,735**

	Unweighted value by residual maturity				
Required stable funding (RSF) Items	**No maturity[(1)]**	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	**Weighted values**
Total high-quality liquid assets (HQLA)					34,954
Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	5,195,616	4,416,274
Performing loans and securities:		1,733,916	762,042	28,417,587	20,449,545
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		15,497	-	250,000	250,000
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		181,619	-	133,939	152,101
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		920,732	203,816	1,036,566	1,443,355
Performing residential mortgages, of which:		616,068	558,226	26,997,082	18,604,090
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		616,068	558,226	26,373,264	18,073,845
Other assets:	-	354,568	14,819	1,265,554	1,447,969
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	230,082	195,569
NSFR derivative assets		58,190			58,190
NSFR derivative liabilities before deduction of variation margin posted		7,817			391
All other assets not included in the above categories		288,562	14,819	1,035,472	1,193,820
Off-balance sheet items		**3,353,867**	-	-	**193,595**
Total RSF					**26,542,338**
Net stable funding ratio (%)[(2)]					**152%**

(1) The unweighted value of high-quality liquid assets is not included in this table according to the instructions provided.

(2) The ratio reported in the above table is a simple average of quarter-end NSFR ratios over the last 4 quarters. Therefore, the ratio may not be equal to the implied NSFR % calculated when using the average component amounts reported under 'Total ASF' and 'Total RSF' in the above table.

Available stable funding (ASF) has decreased £487m due to a decrease in wholesale funding. Required stable funding (RSF) has decreased £458m principally due to lower asset encumbrance from covered bond issuances and term funding maturity profile. The NSFR ratio remains stable.

8 Glossary

Capital Requirements Regulation (CRR)	The Capital Requirements Regulation No. 575/2013 is an EU law that aims to decrease the likelihood that banks become insolvent.
Central Clearing Counterparty (CCP)	A central clearing counterparty (CCP) is a clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the future performance of open contracts. For the purposes of the capital framework, a qualifying CCP is a financial institution.
Common Equity Tier 1 (CET1) capital	The highest quality form of regulatory capital under CRR that comprises common shares issued and related share premium, retained earnings and other reserves less specified regulatory adjustments.
Common Equity Tier 1 ratio	Common Equity Tier 1 Capital as a percentage of risk weighted assets.
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. Such transactions relate to contracts for financial instruments and include derivative contracts and repo contracts.
Credit Conversion Factor (CCF)	Credit conversion factors (CCF) are used in determining the exposure at default (EAD) in relation to a credit risk exposure. The CCF is an estimate of the proportion of undrawn commitments expected to be drawn down at the point of default.
Credit risk	The risk of reductions in earnings and / or value, through financial loss, as a result of the failure of the party with whom the TSB has contracted to meet its obligations (both on and off-balance sheet).
Credit risk mitigation (CRM)	A technique used to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection.
Debt securities	Debt securities are assets held by the TSB representing certificates of indebtedness of credit institutions, public bodies or other undertakings, excluding those issued by Central Banks.
Debt securities in issue	These are unsubordinated liabilities issued by TSB. They include commercial paper, certificates of deposit, bonds and medium-term notes.
European Banking Authority (EBA)	The European Banking Authority (EBA) is a regulatory agency of the European Union headquartered in London, United Kingdom. Its activities include conducting stress tests on European banks to increase transparency in the European financial system and identifying weaknesses in banks' capital structures. The EBA was established on 1 January 2011, upon which date it inherited all of the tasks and responsibilities of the Committee of European Banking Supervisors (CEBS).
Expected Loss (EL)	Expected loss represents the anticipated loss, in the event of default, on a credit risk exposure modelled under the internal ratings-based approach. EL is determined by multiplying the associated probability of default, loss given default and exposure at default together and assumes a 12-month time horizon.
Exposure at Default (EAD)	Exposure at default represents the estimated exposure to a customer in the event of default. In determining EAD amounts, consideration is made of the extent to which undrawn commitments may be drawn down at the point of default (see Credit Conversion Factors) and the application of credit risk mitigation (i.e. eligible financial collateral).
Financial Reporting Standards (FINREP)	Financial Reporting Standards framework represents a common standardised reporting framework with the objective to increase comparability of financial information produced by credit institutions for their respective national supervisory authorities.
Forbearance	Forbearance takes place when a concession is made on the contractual terms of a loan in response to an obligor’s financial difficulties.
General Credit Risk Adjustment (GCRA)	Those credit risk adjustments that are freely and fully available, about to timing and amount, to meet losses that are not yet materialised or where no evidence of a loss event has occurred. .
Impairment allowances	Impairment allowances are a provision held on the balance sheet as a result of the raising of a charge against profit for the expected losses in the lending book. An impairment allowance may be either individual or collective.
Internal Ratings Based Approach (IRB)	A methodology of estimating the credit risk within a portfolio by utilising internal risk parameters to calculate credit risk regulatory capital requirements.

Leverage Ratio	A non-risk-based leverage ratio is calculated by dividing Tier 1 capital by a defined measure of on and off- balance sheet items. Banks are expected to maintain a leverage ratio in excess of 3%. Tier 1 capital divided by the exposure measure. Basel III reforms introduced leverage ratio framework designed to reinforce risk-based capital requirements with a simple, transparent, non-risk based 'backstop' measure.
Leverage Ratio exposure	The Leverage Ratio exposure measure is the sum of the following exposures: (a) on-balance sheet exposures; (b) derivative exposures; (c) securities financing transaction (SFT) exposures; and (d) off- balance sheet (OBS) items. The specific treatments for these four main exposure types are defined by the Basel III leverage ratio framework disclosure requirements.
Liquidity buffer	Refers to the stock of liquid assets that enables a bank to meet expected and unexpected cash flows and collateral needs without affecting the bank's daily operations. Supervisors encourage banks to make prudent use of the liquidity buffers in times of stress in order to continue to meet obligations to creditors and other counterparties while also continuing to support households and businesses.
Liquidity coverage ratio (LCR)	Measures the percentage of high-quality liquid assets relative to expected net cash outflows over a 30-day period. High quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.
Loss Given Default (LGD)	Loss given default represents the estimated proportion of an EAD amount that will be lost in the event of default. It is calculated after taking account of credit risk mitigation and includes the cost of recovery.
Market risk	The risk that unfavourable market movements (including changes in and increased volatility of interest rates, market-implied inflation rates, credit spreads and prices for bonds, foreign exchange rates, equity,property and commodity prices and other instruments) lead to reductions in earnings and / or value.
Minimum capital requirement	The minimum amount of regulatory capital that a financial institution must hold to meet the Pillar 1 requirements for credit, market and operational risk.
Multilateral development banks (MBD)	An institution created by a group of countries to provide financing for the purpose of development.
Net Stable Funding Ratio (NSFR)	Liquidity standard requiring banks to hold enough stable funding to cover the duration of their long-term assets.
Non-performing exposures	Non-performing are those that satisfy either or both of the following criteria: a) material exposures which are more than 90 days past-due; b) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.
Non-performing loans (NPL) ratio	The ratio of the amount of non-performing loans in a bank's loan portfolio to the total amount of outstanding loans the bank holds.
Operational risk	The risk of reductions in earnings and / or value, through financial or reputational loss, from inadequate or failed internal processes and systems, or from people-related or external events.
Pillar 3	The third pillar of the Basel III framework aims to encourage market discipline by setting out disclosure requirements for banks on their capital, risk exposures and risk assessment processes. These disclosures are aimed at improving the information made available to the market.
Public Sector Entity (PSE)	A non-commercial administrative bodies responsible to central governments, regional governments or local authorities; or authorities that exercise the same responsibilities as regional and local authorities; or non- commercial undertakings owned by central governments that have explicit guarantee arrangements; or self-administered bodies governed by law that are under public supervision.
Qualifying Revolving Retail Exposure (QRRE)	Qualifying Revolving Retail Exposures (QRRE) relate to revolving, unsecured retail exposures that, to the extent they are not drawn, are immediately and unconditionally cancellable. Such exposures include credit cards and overdraft facilities.
Regulatory capital	The amount of capital that the TSB holds, determined in accordance with rules established by the PRA.

Retail Internal Ratings Based (Retail IRB)	The Retail Internal Ratings Based (Retail IRB) Approach allows internal estimates of PD, LGD and EAD to be used in determining credit risk capital requirements for retail portfolios.
Retail SME	A small or medium sized entity, an exposure to which may be treated as a retail exposure.
Risk weighted assets (RWAs)	A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with CRR.
RWA density	RWAs divided by exposure after default (post credit risk mitigation and the application of credit conversion factors)
Securities financing transactions (SFTs)	Securities financing transactions are repurchase and reverse repurchase agreements, buy / sell backs and securities lending. For the lender (seller) of the securities it is usually a way to raise funds to finance the securities positions. For the borrower (buyer) of the securities it is a way to invest short–term funds or to cover short (bond) positions.
Specific Credit Risk Adjustment	Those credit risk adjustments that do not meet the criteria to be recognised as GCRAs. Credit risk adjustments recognised via an incurred loss model under IFRS 9 are classed as SCRAs.
Stable deposits	Retail deposits are considered stable deposits when covered by a deposit guarantee scheme, they are provided with a 5% outflow weighting where the deposit is either part of an established relationship or held in a transactional account.
Standardised Approach	The Standardised Approach to calculating credit risk capital requirements requires the use of a standard set of risk weights prescribed by the regulator. Use may be made of external credit ratings supplied by External Credit Rating Agencies to assign risk weights to exposures. Standardised approaches, following prescribed methodologies, also exist for calculating market risk and operational risk capital requirements.
Subordinated liabilities	Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer
Supervisory Review and Evaluation Process (SREP)	The appropriate supervisor's assessment of the adequacy of certain firms' capital.
Term Funding Scheme (TFSME)	Bank of England scheme which allows eligible banks and building societies to access funding with incentives for SME's.
Tier 1 capital	A measure of a bank's financial strength defined by CRR. It captures Common Equity Tier 1 Capital plus other Tier 1 securities in issue, subject to deductions
Tier 1 capital ratio	Tier 1 capital as a percentage of risk weighted assets.
Tier 2 capital	A component of regulatory capital defined by CRR, mainly comprising qualifying subordinated loan capital and eligible collective impairment allowances.
Total capital ratio	Total capital as a percentage risk weighted assets.
Trading book	Positions in financial instruments and commodities held for trading purposes or to hedge other elements of the trading book.
UK Leverage Ratio	A PRA defined modified measure of the leverage ratio which excludes qualifying central bank claims from the exposure measure. The PRA has set the minimum ratio at 3.25%.

9 Contacts

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