

RISK MANAGEMENT REPORT

A word from the Chair of the Board Risk Committee

I am pleased to present our 2025 Risk Management Report, which sets out the role of the Board Risk Committee (BRC) and gives an overview of its activity during the year.

Our attention during 2025 has focused on the principal risks which affect the Society and ensuring that there is appropriate risk oversight on the strategic direction of the Society.

A key development during the year has been that in addition to the formal meetings of the Committee, each quarter the BRC reconvenes during the wider Board meeting, so oversight of key risk items can be considered by the full Board. All Board members attend Reconvened BRC meetings and availability and attendance at such meetings is available in the Corporate Governance Report. Key Risk items include assessing the Society's Risk Appetite metrics, ICAAP and ILAAP.

As Chair of the BRC, I am satisfied the Society has a clear risk appetite, aligned to its strategy, to ensure it contains the impact of those risks it has chosen to take; has appropriate controls in place to identify both the risk of material deviation from the risk appetite and any unplanned risks the Society encounters; and appropriately balances the risks it takes between delivering against our Purpose for current and future members and customers, and protecting the resilience and sustainability of the Society.

As we look ahead to 2026, my BRC colleagues and I will continue to expect a risk management approach that is robust, prudent and member-focused so that I can continue to report my satisfaction with the Society's risk positions.

Angela Darlington
Board Risk Committee Chair

25 February 2026

Board Risk Committee members and meetings

The current membership of BRC comprises:



Angela Darlington
Board Risk Committee Chair
Vice Chair
from 1 January 2026



Mark Parsons
Senior Independent Non-Executive Director



Debra Davies
Independent Non-Executive Director



Elaine Bucknor
Independent Non-Executive Director



Peter Bole
Independent Non-Executive Director

Guy Bainbridge (former Vice Chair and Independent Non-Executive Director) was a member of the Committee to 31 December 2025 when he stepped down from the Board.

During the year, we have welcomed Elaine Bucknor and Peter Bole as new Committee Members and are already benefitting from their contributions and vast experience.

Our Board appoints members to the Committee and all members are independent Non-Executive Directors. You can find out more about the skills, qualifications and experience of Board Risk Committee Members in the Our Board and Executive Team section.

Only members of the Board Risk Committee are entitled to attend its usual meetings, although others may be asked to attend all or part of a meeting. The Committee meetings are attended by the Board Chair and members of the Executive team including the Chief Executive, Chief Financial Officer, Chief Risk Officer and Chief Internal Audit Officer. Our External Audit Partner is invited to attend every meeting.

The Committee held four scheduled meetings during 2025 and held three ad-hoc meetings. The three ad-hoc meetings were scheduled to consider:

- Reviewing proposed Credit Risk Appetite metric changes for High Loan-to-Income lending.
- The Society's Consumer Duty Annual Report.
- Monitoring the Society's approach (together with the Board Audit Committee) to the introduction of Provision 29 of the Corporate Governance Code 2024, which requires firms to provide a more detailed disclosure of the effectiveness of risk management and internal control frameworks in their Annual Reports.

Meetings are regularly scheduled outside of formal Committee meetings with the Chair and the Chief Risk Officer as necessary.

The Written Resolution process was used twice where matters required review and approval outside of the planned meeting schedule and did not warrant an ad-hoc meeting.

Details on the number of scheduled meetings attended by each of the Committee members during 2025 are shown in the Corporate Governance Report.

Board Risk Committee responsibilities

The responsibilities of the Board Risk Committee include:

- Receiving the Chief Risk Officer's quarterly reports, encompassing performance against the risk appetite exposure limits for 2025, his view of the Society's principle risks and other key areas.
- Approval of the Society's Enterprise Risk Management Framework.
- Reviewing and recommending Board approval for Risk Appetite Exposure limits for 2026.*

- Monitoring the progress of the Governance, Risk and Control Programme.
- Reviewing risks and issues related to the Society's One Plan.
- Reviewing the second line of defence oversight plan.
- Reviewing and recommending the approval of the Society's ILAAP and ICAAP, including appropriate stress testing scenarios.*
- Monitoring the Society's Compliance with the Resolvability Assessment Framework.
- Reviewing and recommending the Board approve the Society's annual Operational Resilience Self-Assessment, Important Business Services and Impact Tolerances.
- Reviewing and monitoring the progress against the priorities identified by the Society's Money Laundering Reporting Officer (MLRO).

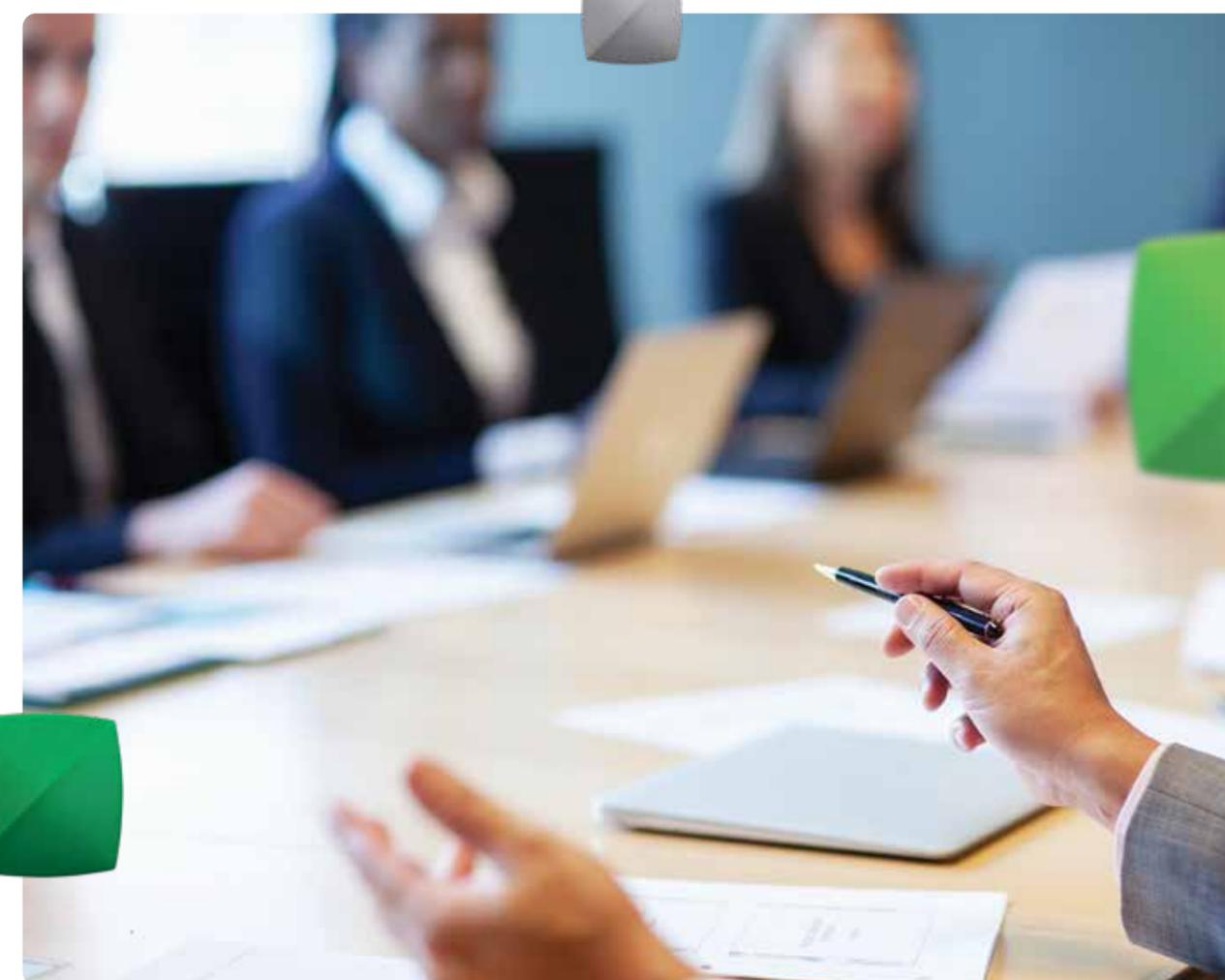
*denotes items considered by the wider Board at the Reconvened BRC.

Further detail on the role and responsibilities of the Committee can be found in the Terms of Reference, which are available on our website⁴¹.

The Committee's Terms of Reference are reviewed annually to ensure that they remain aligned with regulatory requirements and good practice, alongside ensuring the Committee is fulfilling its responsibilities. To incorporate any changes arising from the Board and Committee Effectiveness Reviews, details of which are outlined in the Board Governance and Nominations Committee Report, the approval of the latest Terms of Reference reviews will take place in Quarter 1 of 2026. This timing aligns with the implementation of the current Terms of Reference in January 2025. Throughout 2025, the Committee fulfilled the requirements of its Terms of Reference, with particular emphasis on the areas that are covered in more detail in this report.

The Committee is committed to ongoing learning and development and Committee members also take part in training and receive briefings on areas that concern not only their roles on the Committee, but also their roles on the Board. During 2025, the Committee was provided with additional training on Structural Hedging, as well as multiple workshops on the Society's ICAAP, ILAAP and Recovery Plan.

Our Chair of the Board oversees the training and development of the full Board and you can find more information on this in the Composition, Succession and Evaluation section of the Corporate Governance Report.



Board and Committee Effectiveness Review

The effectiveness of the BRC is assessed annually in accordance with its Terms of Reference. The Committee progressed the actions identified as part of the 2024 process throughout the year. For 2025, the Board Committee evaluations were incorporated into the Board internal evaluation process. A self-assessment exercise was performed, co-ordinated by Group Secretariat, and a summary of the results were reported to the Committee and discussed in January 2026. The 2025 review concluded that the Committee operated effectively during the year and that there were no significant areas for improvement or significant actions arising for the Committee.

Further details on the evaluation process for 2025 can be found in both the Board Governance and Nominations Report and the Corporate Governance Report.

Corporate governance

The Committee continues to work closely with the Board Audit Committee and other stakeholders to monitor the Society's approach to the introduction of additional requirements of Provision 29 of the Corporate Governance Code 2024 and the implementation of defined material controls, ahead of the provision becoming effective on 1 January 2026.

The BRC will continue in 2026 to provide balanced oversight of the Society's risks and ensuring that the Committee's governance, risk and control capabilities can support the Society's strategy.

⁴¹ <https://www.ybs.co.uk/your-society/inside-your-society/corporate-governance/committees#group-risk>

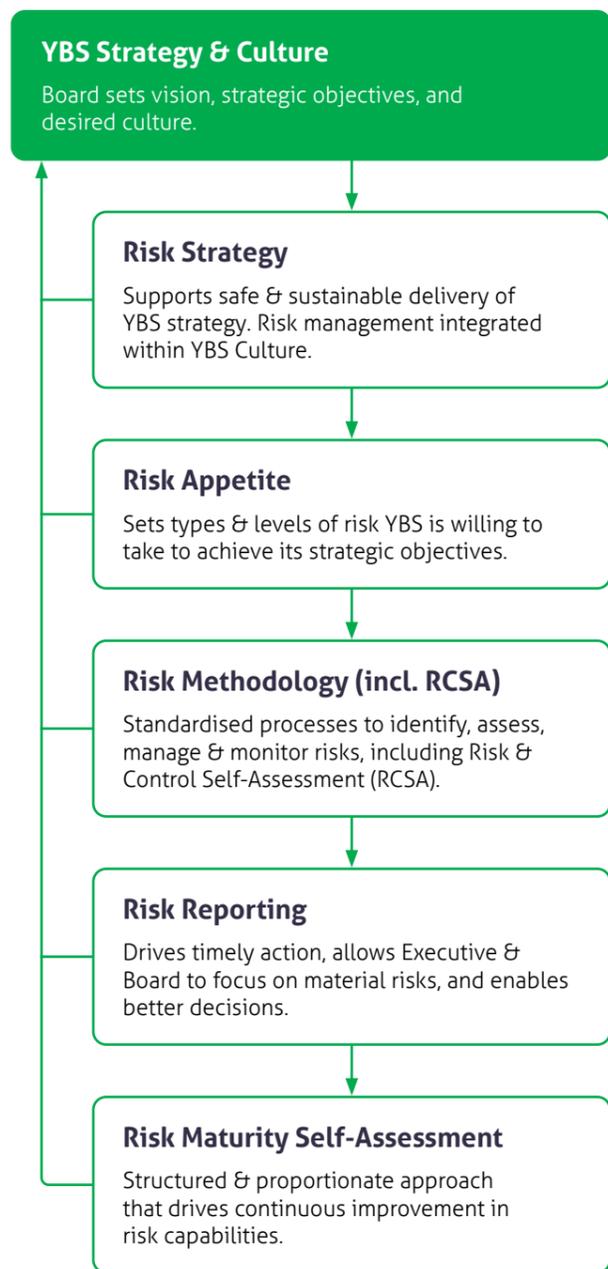
Our Enterprise Risk Management Framework (ERMF)

Our ERMF enables robust yet efficient risk management, which has an important and integral role in protecting the Society against unplanned financial outcomes, providing members with good outcomes and demonstrating credibility to external stakeholders.

The ERMF supports a consistent approach to managing risk across the Society and helps ensure that everyone understands their role. A robust and embedded framework enhances decision making and leads to improved business performance. It provides an overview of how risk is to be managed and signposts where to find more detail in the underlying sub-frameworks and processes.

It comprises:

Key Enterprise Risk Process Flow



Key Enablers & Governance

Risk Categorisation Model

A comprehensive, efficient and effective categorisation model, which clearly captures our principal risks is a key foundation for how we organise and embed many elements of risk activity.

Risk Governance

An efficient risk committee structure with clear accountabilities and alignment to our risk categorisation model drives effective decision-making and appropriate focus on our material risks.

Risk Policy Framework

Ensures we have appropriate policies for each risk that set minimum standards and key controls, for managing risks within both risk appetite and regulatory requirements.

Compliance Framework

A robust compliance framework ensures colleagues are clear who is accountable for identifying, implementing, advising and providing oversight of regulatory compliance.

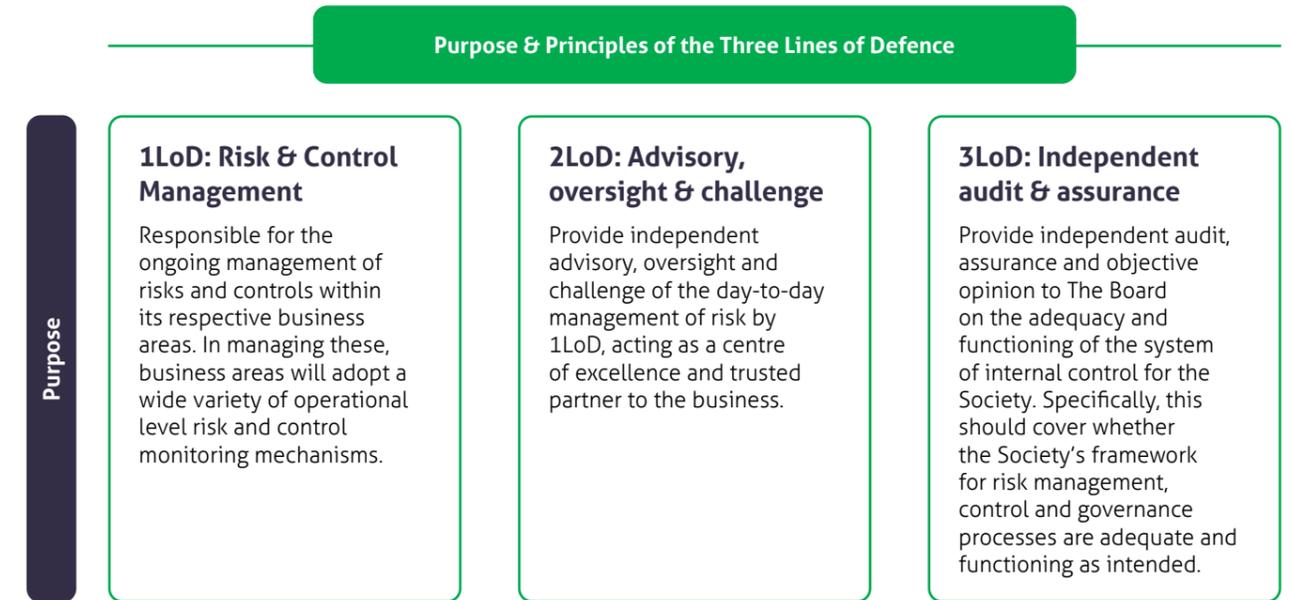
Three Lines of Defence Framework and Oversight Methodology

Clearly delineated accountabilities for day-to-day risk management, oversight and assurance enable efficient organisational design and effective risk management.

Our new risk platform was launched in 2025 and has been used to progressively consolidate our core enterprise risk processes and data onto a single industry standard platform. This drives consistent and effective risk management and enhanced analysis and reporting capabilities.

Three lines of defence

To support the operating model and facilitate the ERMF, the Society operates a three line of defence model. Each line is independent from the others via reporting lines and activities that create clear separation. The role of each line is summarised below.



First Line (1LoD)

The First Line of Defence (1LoD) owns and manages risks relevant to each business area, designs and operates key controls, and reports on the effectiveness of these controls to senior management and the Executive Team. They ensure that the business continues to operate on a day-to-day basis and are the closest to our people, processes, and systems and therefore, are best placed to understand and manage the Society's risks.

To support effective risk management, the 1LoD may embed specific risk experts or assurance teams within business functions to support Risk Category Owners in managing their risks in line with the ERMF. These embedded teams assist with activities such as risk identification, control design and testing, root cause analysis, and risk event logging. While these colleagues may hold 'risk' or 'control' roles, they remain an integral part of the 1LoD, supporting the business with routine risk management activities.

Second line (2LoD)

The Second Line of Defence (2LoD) consists of the Society's Risk function, reporting to the Chief Risk Officer (CRO). The 2LoD sets the Society's ERMF, establishing the standards, tools, and processes for managing risk effectively. The Enterprise Risk team, within 2LoD, is responsible for developing, maintaining, and embedding the ERMF on behalf of the CRO and the Board.

2LoD also provides, insight, challenge, oversight, and opinion on all aspects of risk management and compliance, taking a risk-based approach. 2LoD provides oversight on all aspects of risk management and compliance with regulatory requirements and internal documents such as risk appetite, policies, and the ERMF. Oversight and compliance activities are integrated and applied through a risk-based approach that is efficient, proportionate and value adding to the business. The 2LoD may also leverage their risk expertise to provide insightful risk analytics to support the 1LoD.

The 2LoD operates with clear independence from 1LoD daily activities, with its mandate supported by both the Board and CEO through:

- The CRO has a direct reporting line to the CEO and an additional independent reporting line to the Board Risk Committee (BRC) Chair.
- The BRC ensures the Risk Function has adequate resources, unrestricted access to necessary information, and the independence required for effective performance.
- The Executive Risk Committee (ERC), chaired by the CRO, operates under BRC-approved terms, and is authorised to seek information from any area within the Society.
- The BRC will also periodically receive Internal Audit reports, which will include assessments of the effectiveness of the 2LoD.

Third line (3LoD)

The Third Line of Defence (3LoD) is the Society's Internal Audit function. The purpose of Internal Audit is to provide an independent and objective opinion to the Board, on the adequacy and functioning of the system of internal control for the Society. Internal Audit has responsibility for bringing a systematic and disciplined approach to evaluating the effectiveness of the risk management, control, and governance processes. Through its activities, Internal Audit provides our Leadership Team with information to help improve its risk management, control, and governance processes.

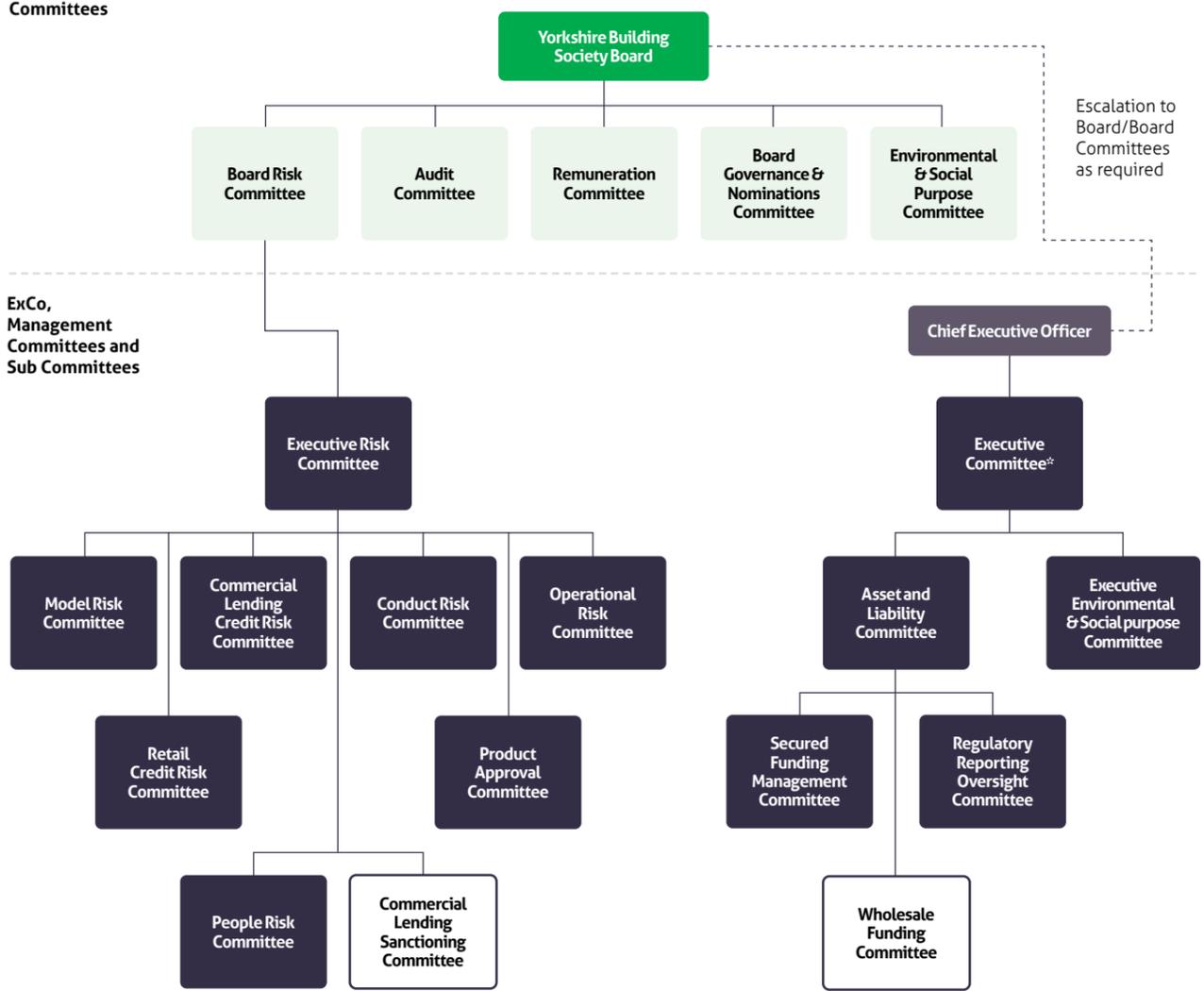
As the 3LoD does not direct or implement processes, it maintains a higher level of organisational independence and objectivity.

Further details on the role of the 3LoD can be found in the Internal Audit Charter⁴².

Governance

The Society's Board and senior management Committee structure is illustrated below.

Board and Principal Board Committees



* Supports the CEO in the day-to-day management of the Society.

⁴² <https://www.ybs.co.uk/documents/pdf/financial/group-internal-audit-charter.pdf>

The Board is ultimately responsible for the effective management of risk. The approval of risk appetite and certain risk management policies are amongst several specific areas which are matters reserved for the Board.

The BRC is a Board Committee that oversees, on behalf of the Board, the key risks inherent in the Society and the system of internal controls necessary to manage such risks.

The ERC is responsible for the monitoring of day-to-day risk management activity including, but not limited to, reviewing the effectiveness of the Society's risk management framework and system of internal controls.

Below the Board and senior management Committee structure is a set of category and business unit risk sub-committees. These monitor risk management activity across the key risk categories, acting as a point of escalation for matters of Society level significance.

Principal risks and uncertainties and how we mitigate them

Our principal risks and uncertainties and our risk profile evolve as we move through the economic cycle. We have an ongoing process for identifying, evaluating and managing the principal risks we face, and this process is regularly reviewed by the BRC.

Strategic risk	
Risk YBS is unable to achieve its strategic objectives due to poor business decisions, improper execution of decisions, or external events.	
Sources	
<ul style="list-style-type: none"> The business environment we operate in could change unexpectedly. The decisions we make and actions we take could prove ineffective. 	
Approach	Commentary
<ul style="list-style-type: none"> We perform regular horizon scanning, corporate planning, scenario analysis, competitor analysis and business performance monitoring to mitigate risks arising from the economic environment and our strategic choices. We have defined risk attitudes, risk appetites and risk metrics for all of our other principal risks. Our business model is relatively simple, but we operate in a highly competitive market. Our hedging strategy therefore, mitigates the risks arising from our focused range of products in this market. 	<ul style="list-style-type: none"> We have continuously monitored the external environment in which we operate. The prevailing high-interest rate environment remained a barrier for those seeking a mortgage. Homeowners with an existing mortgage demonstrated a higher propensity to remain with their existing lender likely due to affordability constraints, resulting in a reduced range of options for those reaching the end of their fixed-rate term. The size of the remortgage market reduced as a result of this dynamic. A stable benchmark rate led to an observed easing in competitive intensity in the savings market, with market-leading rates gradually decreasing since their peak in late 2023. Whilst cost-of-living pressures do continue to weigh on the personal finances of many, the savings market has continued to grow, with inflationary pressures having eased and real incomes having increased slightly.



Financial risk	
Risk of YBS having inadequate cash flow or capital to meet current or future requirements as they fall due.	
Sources	
<ul style="list-style-type: none"> Exposure to financial market participants who may default on obligations, and vulnerability to sudden deposit withdrawals or loss of investor confidence. Potential for principal Liquidity or Capital risks to materialise, leading to losses and capital depletion and regulatory requirements for capital could increase. Exposure to foreign exchange rate fluctuations and credit spread risk that affect asset valuations and perceived creditworthiness. 	
Approach	Commentary
<ul style="list-style-type: none"> The financial risks are constrained by Board-approved risk appetites and policies. 	<ul style="list-style-type: none"> Our financial risk policies and policy guides outline how the risks are managed and executed.
<ul style="list-style-type: none"> Treasury risk: Our liquid asset buffer portfolio is invested in the highest quality assets. Most of our derivative contracts are subject to centralised clearing to minimise risk exposures with counterparties. Where this is not possible, derivative exposures are restricted to high quality counterparties, which are subjected to regular review by the Asset & Liability Committee (ALCO). 	<ul style="list-style-type: none"> Treasury risk: We review each wholesale counterparty limit at least on an annual basis, or sooner if a risk event occurs in the interim. The size of the credit limit we allocate to each counterparty is driven by the operational need and their credit status, as determined by internal analysis, and is calibrated to the size of our capital position to ensure that our financial viability is not overly exposed to any single counterparty. Exposure to AA- or above counterparties remains high, maintaining the low risk profile in accordance with Board risk appetite. The risk has not materially changed since last year; market volatility is still at relatively elevated levels generally, but the credit controls we have in place remain appropriate.
<ul style="list-style-type: none"> Funding & liquidity risk: We are primarily funded through retail savings balances, supported by a strong franchise in key wholesale funding markets. The Board annually approves the key assumptions and controls for managing liquidity risk, including internal liquidity stress testing, as part of the Internal Liquidity Adequacy Assessment Process (ILAAP). We conduct internal liquidity stress testing to ensure sufficient liquidity is available to meet business-as-usual and stressed requirements. We also ensure compliance with regulatory requirements, including the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). Reverse Stress Testing (RST) is performed to understand the possible scenarios and risk drivers that could lead to the potential failure of the Society through the assessment of the Society's Point of Non-Viability (PoNV), and whether sufficient mitigations are in place. 	<ul style="list-style-type: none"> Funding & liquidity risk: Our liquidity levels remained strong and materially above regulatory requirements throughout 2025. We report the LCR to the PRA monthly, evidencing sufficient levels of high-quality liquid assets are held against the expected net liquidity outflows over a 30-day stress period. This is reported on both a Society and a Group basis. At December 2025, the Group LCR was 238.7%. Liquidity levels are forecast to remain above regulatory and internally derived minimum requirements across the Society's planning horizon. Fixed income securities are hedged for interest rate risk with c.95% held as Fair Value Through Other Comprehensive Income (FVOCI).

Financial risk	
Approach	Commentary
<ul style="list-style-type: none"> Market risk: We have a dedicated system to model market risk. This covers value, earnings and credit spread measures, including market value change for a move in interest rates and credit spreads and scenario analysis. A range of assumptions are captured within the market risk models, including customer behaviour. Assumptions are subject to review at the Monthly Asset and Liability Forum (ALM) by the senior leadership with delegated authority. Market risk metrics are monitored daily, with monthly reporting of information to the Asset Liability Committee (ALCO), ERC and Board, and quarterly reporting to BRC. An internal capital assessment (ICAAP) of Pillar 2A Risk Assessment for interest risk in the banking book, including foreign exchange and credit spread risk, is undertaken annually with final approval at the Board. 	<ul style="list-style-type: none"> Market risk: All market risk appetite metrics are reviewed each year to ensure they remain effective in the current rate environment and to keep pace with projected balance sheet growth. We proactively manage our interest rate risk exposure within approved risk appetite limits. Credit Spread Risk is monitored daily through Credit Spread 01 (CS01). PV100 (the market value impact arising from a parallel 100bps increase in interest rates) results in a loss, with a year-end value of -£1.9m in 2025. This positions us unfavourably for a rise in rates, but favourably should rates fall. The 12-month earnings sensitivity has decreased year-on-year (impact on 1 year net interest income of a 1.0% parallel increase/decrease in rates). As at December 2025 the sensitivity was an £18.3m cost against the parallel down shock. A structural hedge is in place to mitigate the interest rate risk arising from reserves and the repricing of administered rate savings balances.
<ul style="list-style-type: none"> Capital risk: We manage capital to comply with regulatory requirements and risk appetite levels to support our strategic objectives for sustainable growth. We perform an Internal Capital Adequacy Assessment Process (ICAAP) at least annually to ensure that we hold sufficient capital and have adequate governance and controls to manage the risks to capital arising from our business model. The ICAAP considers severe but plausible stress scenarios. Reverse Stress Testing (RST) is performed to understand the possible scenarios and risk drivers that could lead to the potential failure of the Society through the assessment of the Society's Point of Non-Viability (PoNV), and whether sufficient mitigations are in place. Further details of our capital position can be found in the 2025 Pillar 3 Disclosures. 	<ul style="list-style-type: none"> Capital Risk: We maintained strong capital levels throughout 2025, well above regulatory requirements and internal risk appetite, and forecast that this position will be maintained across our planning horizon. The implementation of Basel 3.1, per the PRA's near-final policy statements (PS17/23 and PS9/24), on 1 January 2027 is a key focus for the Society. We are well positioned to comply with these enhanced requirements. Alongside this, we continue to work towards Institutional Review Board (IRB) accreditation. We have in place a modification by consent to disapply the Leverage Ratio – Capital Requirements and Buffers part of the rulebook until 30 June 2026. The UK Leverage regime is now only applicable when retail deposits surpass £75bn after change in regulation in 2025. We continue to monitor the potential impact of leverage ratio framework (LREQ) on our balance sheet and capital buffers to support our strategic objectives while remaining compliant with regulatory demands. We are currently subject to end-state MREL (Minimum Requirement for Own Funds and Eligible Liabilities) requirements on a risk weighted basis, and expect MREL to be based on leverage once LREQ status applies. We comfortably met both these requirements throughout 2025.

Credit risk

The risk that retail and commercial borrowers fail to meet their financial obligations to YBS as they fall due, resulting in higher-than-expected losses.

Sources

- Loans to retail and commercial customers may not be fully repaid.

Approach

- Retail and commercial credit risk is constrained by a Board-approved risk appetite and the retail and commercial lending policy.
- Our robust credit risk framework ensures lending remains within limits and appropriate remedial action is taken if a breach occurs. Adherence is monitored through governance committees.
- We regularly use stress testing to assess the resilience of our portfolio.
- Our credit risk models are overseen by the model governance framework (see Model risk).

Commentary

- We have continued to see stability in our arrears rates and overall rates remain low. At 2025 year-end our $\geq 3m$ arrears rate (% by volume) for Retail mortgages was 0.52%, 2bps higher than where we were at the end of 2024. This compares favourably to the latest UK finance market average of 0.88%.
- Our Commercial Lending $\geq 3m$ arrears rate has seen a small increase throughout 2025, increasing from 0.05% at the end of 2024, to 0.16% at the end of 2025, however volumes in the arrears stock remain low at only three accounts.
- Our internal arrears forecast anticipates arrears will remain stable throughout 2026. However, given our continued purpose-aligned lending strategy to support first time buyers, including those with higher LTVs, we may continue to see convergence between YBS Retail arrears and the UK finance market average during 2026. We continue to proactively contact the most at-risk customers via pre-arrears strategies and have a robust set of forbearance solutions to support customers in financial difficulties.
- Our residential possession rate was 0.03% at the year-end, compared to the latest UK finance market value of 0.04%. For Retail buy-to-let mortgages, the possession rate is 0.17%, compared to the UK finance market average of 0.12%, which is mainly driven by our legacy retail buy-to-let portfolios.
- Our Indexed LTV position of the book has remained relatively stable over the year; 9.7% of our Retail mortgage book has an indexed LTV $> 85\%$, compared to 9.5% in December 2024. Whilst we have seen positive house price movements in 2025, these positive indexed LTV movements on the book have been offset by the higher proportion of $> 85\%$ LTV completions to support our lending strategy (27% in 2024 compared to 33% in 2025). Overall the asset quality of our portfolios remains strong. A large proportion of the expected credit losses held against our mortgages relates to pre-2009 lending.

Model risk

Risk of adverse consequences arising from model errors and inappropriate use of model outputs to inform business decisions, resulting in losses, non-compliance and/or reputational damage.

Sources

- Models may be incorrectly designed or be implemented incorrectly.
- Models may use logic and assumptions based on the past which are no longer relevant.

Approach

- We maintain an inventory of models which are governed by our model risk policy and model governance framework.
- We have a process to identify and monitor new models to bring these into governance.
- Compliance with the policy is monitored by the Model Risk Committee (MRC), which is chaired by the Chief Risk Officer.

Commentary

- Work to assess our model risk management framework against the final regulatory Model Risk Management Principles (SS1/23) has been carried out and a plan to close gaps has been reported to the MRC.
- Given the current political and economic climate and our growth in size and complexity, there is an elevated level of systemic model performance risk in models which are calibrated based on historical events and/or customer behaviours, which requires close monitoring.
- Model risk appetite tracks key governance and performance metrics. Measures for the performance of critical models are presented to the MRC to ensure mitigants and remedial plans are put in place to manage and address any identified risks.

Change risk

Risk YBS mismanages strategic and operational change due to ineffective prioritisation, scoping, definition, implementation, or lack of business readiness. Resulting in failure to meet strategic objectives, regulatory requirements, or customer and employee needs; business disruption; and inefficient use of resources.

Sources

- We fail to deliver strategic outcomes.
- The business is not equipped to manage changes to people, process and technology.

Approach

- Change risk is constrained by Board-approved risk appetite and a Change Risk policy.
- Directors must regularly attest to the effectiveness of the controls they are responsible for through the risk and control self-assessment process.
- Change Board is responsible for the prioritisation of change initiatives and the successful delivery of outcomes.

Commentary

- Following the elevation of Change Risk to Board level, a Tier 1 Change Risk Policy has been created.
- In addition to the suite of Executive Risk Metrics, a Board Risk Appetite Metric has also been added and approved by Board Risk Committee.
- In January 2025, we introduced our Change Risk Forum to monitor existing and emerging operational risks that may impact the ability to deliver change safely.
- In addition to this, thematic One Plan Risks and Issues are presented at Board Risk Committee quarterly.

Operational risk

Risk of loss, damage, or disruption due to inadequate or failed internal processes, systems or people and external events.

Sources

- Our technology may fail.
- Our suppliers may fail to meet their contractual obligations.
- Criminals may use the Society for illegal activity.
- Other external or internal events.

Approach

- Operational risk is constrained by a Board-approved risk appetite and a number of risk-specific policies.
- The ERMF defines how colleagues are expected to identify, assess, monitor, manage and report their operational risk exposures.
- Directors must regularly attest to the effectiveness of the controls they are responsible for through the risk and control self-assessment process.

Commentary

- There has been an increase in the value of operational losses in 2025 to £2.50m (2024: £1.69m)
- We continue to invest in our cybersecurity posture and focus on IT risk through a multi-year programme, addressing legacy risks and enhancing resilience, and enhanced colleague awareness, underpinned by external benchmarking and robust risk management.
- YBS has strengthened its risk management capability by launching an enhanced RCSA process on a new risk platform to drive engagement, granularity and action focus, while upgrading the ERMF with clear standards, integrated guidance and alignment to the platform rollout to ensure consistent, high-quality risk practices.
- We strengthened financial crime controls with enhanced transaction monitoring and customer screening, while improving payment resilience through introducing inbound Faster Payments with better incident response to reduce disruption risk.
- We continue to enhance our Operational risk capabilities with the strengthening of controls and oversight, providing independent assurance that controls are in place and supporting improvements in both effectiveness and efficiency.

People risk

Risk YBS fails to attract, manage, retain and motivate a diverse, inclusive and appropriately skilled workforce. Resulting in operational disruption, non-compliance with employment legislation, lack of engagement, undue focus on short-term goals/excessive risk taking and reputational damage.

Sources

- We may not be able to attract the right people due to skills shortages in the market.
- We may not be able to retain the right people due to burnout, poor leadership behaviours or policy changes.
- We may not be able to upskill our colleagues to be future ready if we don't identify future needs in time.
- We may not respond quickly enough to ensure we comply with employment legislation changes.

Approach

- People risk is constrained by a Board-approved risk appetite and a number of people risk-specific policies.
- We apply preventative and detective controls across key areas including capacity management, skills and capability, health and wellbeing, diversity, equity and inclusion and behaviours which are assessed through our half-yearly Risk and Control Self-Assessment and attested to by Directors across the business.
- We perform regular horizon scanning and benchmarking to mitigate risks arising from the legislative changes.

Commentary

- Following the elevation of People Risk to Board level, a prioritised action plan saw many changes within 2025 including the introduction of a Tier 1 People Risk Policy and associated Risk Appetite Metrics, the development of Executive Tier People and Culture Risk Policies and the establishment of a People Risk Committee to ensure there is a dedicated forum for oversight, challenge and decision-making.
- In addition, several additional measures have been introduced to enhance the control environment, improving risk management and governance practice.



Conduct risk

Risk YBS fails to deliver good customer outcomes and/or negatively impacts market integrity, resulting in customer harm, non-compliance, reputational damage and financial loss.

Sources

- Designing products and services.
- Marketing and communications.
- Customer servicing across channels.
- Providing extra support where needed.

Approach	Commentary
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| <ul style="list-style-type: none"> ■ Compliance and conduct risk is constrained by a Board-approved risk appetite and a number of risk-specific policies. ■ Conduct risk is managed through a suite of frameworks and processes embedded across the customer lifecycle, including product governance, marketing approvals, customer servicing protocols, and vulnerability support mechanisms. These frameworks ensure that customer outcomes are considered at every stage, with clear escalation routes and decision-making forums to address risks proactively. ■ We monitor conduct risk metrics for a number of areas via the monthly conduct risk committee including product design, fair value, sales, service, customer vulnerability, complaints and collections. ■ The second line of defence provides compliance support and oversight on all regulatory matters to the first line, for both day-to-day operations and change programmes. | <ul style="list-style-type: none"> ■ We have continued to progress actions to evolve and enhance how we meet the requirements of the FCA's Consumer Duty regulation for open and closed products and services. The outcomes of this work were approved by the Board following the annual Consumer Duty Board Assessment. ■ In July 2025, YBS introduced a new Tier 2 conduct risk category that focuses on Vulnerable Customer Risk. There is an enterprise-wide action plan in place to support the management of this risk category. ■ A compliance monitoring plan, approved by the Board Risk Committee (BRC), has been completed during 2025 allowing robust oversight of the key areas of conduct, financial crime, and data protection risk. All oversight findings are the subject of a formal action plan overseen to closure by the BRC. |
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Climate risk

We recognise the physical and transition risks arising from climate change create risk exposures in several of the principal risk categories above. We therefore manage these risks through the Enterprise Risk Management Framework to ensure they are properly considered alongside the other risks we face.

Further detail on how we manage climate change risk can be found in the 'How we manage climate-related risks' section

Stress testing

Stress testing is a proactive risk management tool used throughout the Society to better understand the potential vulnerabilities in our business model and exposures to capital, liquidity, market and credit risks. Stress testing results are presented to several committees including Asset & Liability Committee (ALCO), Executive Risk Committee (ERC), and Board.

The key uses of stress testing are to:

- Assess capital adequacy to determine the Society holds sufficient capital to withstand adverse economic and market conditions and ensure compliance to regulatory requirements.
- Understand the credit risk profile of our mortgage portfolios under a range of economic scenarios and ensure we can support customers in financial difficulties in periods of stress.
- Stress testing of the Corporate Plan to assess the robustness of our financial plan and exposures to adverse economic conditions.
- Manage liquidity by identifying, measuring, and managing material liquidity risk exposures under both normal and stressed conditions.
- Identify risk exposure to key risks in relation to capital, liquidity, and market risk.
- Enhance risk management to inform better risk control management and strategies.
- Support broader regulatory regimes including recovery and resolution planning and reverse stress testing.
- Identify the Society's Point of Non-Viability (PoNV) for capital and liquidity purposes and assess scenarios which could cause the Society to reach this level, ensuring there are sufficient mitigants in place.
- Support broader strategic decision-making in capital planning, business continuity and risk appetite assessment.

In 2025, the team used the Bank of England's 2024 desk-based stress test scenarios as part of the 2025 Internal Capital Adequacy Assessment Process (ICAAP) submission. This assesses capital requirements for the Society in both a high and a low-interest rate stressed environment. The stress tests have shown the Society is well positioned and capitalised to withstand a stress environment.

