

Glossary and definition of key terms

Additional Tier 1 (“AT1”) capital	Additional regulatory capital that along with CET1 capital makes up a bank’s or banking group’s Tier 1 regulatory capital. Includes the group’s perpetual subordinated contingent convertible securities classified as other equity instruments under IAS 32
Adjusted	Adjusted measures are presented on a basis consistent with prior periods and exclude any exceptional and adjusting items which do not reflect underlying trading performance
Adjusted Earnings per Share (“AEPS”)	Adjusted operating profit less tax and AT1 coupons divided by basic weighted average number of ordinary shares in issue
Applicable requirements	Applicable capital ratio requirements consist of the Pillar 1 requirement as defined by the CRR, the Pillar 2a requirement set by the PRA, and the capital conservation buffer and countercyclical buffer as defined by the PRA Rulebook. Any applicable PRA buffer is excluded
Average maturity of funding allocated to the loan book	Simple weighted average of the applicable funding allocated to the loan book. The applicable funding excludes equity (except AT1 instruments) and deducts funding held for liquidity purposes
Bad debt ratio	(Adjusted) impairment losses in the year as a percentage of average net loans and advances to customers and operating lease assets excluding Vehicle Hire, which is in wind-down, and Brewery Rentals, which has been classified as held for sale on the group's balance sheet
Basic earnings per share (“EPS”)	Total profit attributable to ordinary shareholders divided by basic weighted average number of ordinary shares in issue
Basic earnings per share (“EPS”) continuing operations	Operating profit from continuing operations less tax and AT1 coupons, divided by basic weighted average number of ordinary shares in issue
Buy As You Earn (“BAYE”)	The HM Revenue & Customs-approved Share Incentive Plan that gives all employees the opportunity to become shareholders in the group
Capital Requirements Directive (“CRD”)	European Union regulation implementing the Basel III requirements in Europe, alongside CRR II
Capital Requirements Regulation (“CRR”)	Regulation 575/2013/EU, as it forms part of the assimilated law of the United Kingdom
CDP	Formerly the “Carbon Disclosure Project”, a leading, internationally recognised independent rating agency and assessor of corporate carbon emissions disclosures and actions
CET1 capital ratio	Measure of the group’s CET1 capital as a percentage of risk weighted assets, as required by CRR
Common Equity Tier 1 (“CET1”) capital	Measure of capital as defined by the CRR. CET1 capital consists of the highest quality capital including ordinary shares, related share premium account, retained earnings and other reserves, less goodwill and certain intangible assets and other regulatory adjustments
Compensation ratio	Total staff costs as a percentage of adjusted operating income
Cost of funds	Interest expense incurred to support lending activities excluding Vehicle Hire and Brewery Rentals divided by the average net loans and advances to customers and operating lease assets excluding Vehicle Hire and Brewery Rentals
Credit-impaired	Where one or more events that have a detrimental impact on the estimated future cash flows of a loan have occurred. Credit-impaired events are more severe than significant increase in credit risk triggers. Accounts which are credit-impaired will be allocated to Stage 3
Customer satisfaction score (“CSAT”)	A measure of customer satisfaction expressed as a percentage of positive responses from the total of those surveyed
Discounting	The process of determining the present value of future payments
Dividend per share (“DPS”)	Comprises the final dividend proposed for the respective year, together with the interim dividend declared and paid in the year
Effective interest rate (“EIR”)	The interest rate at which revenue is recognised on loans and discounted to their carrying value over the life of the financial asset
Effective tax rate (“ETR”)	Tax on operating profit/(loss) as a percentage of operating profit/(loss) on ordinary activities before tax
Expected credit loss (“ECL”)	The unbiased probability-weighted average credit loss determined by evaluating a range of possible outcomes and future economic conditions
Expense/income ratio	(Adjusted) operating expenses divided by (adjusted) operating income
Exposure at default (“EAD”)	The capital outstanding at the point of default
Financial Conduct Authority (“FCA”)	A financial regulatory body in the UK, regulating financial firms and maintaining integrity of the UK’s financial market

Financial Ombudsman Service (“FOS”)	The Financial Ombudsman Service settles complaints between consumers and businesses that provide financial services
Financial Reporting Council (“FRC”)	An independent regulatory body responsible for promoting high quality corporate governance and reporting amongst UK companies
Forbearance	Forbearance occurs when a customer is experiencing financial difficulty in meeting their financial commitments and a concession is granted, by changing the terms of the financial arrangement, which would not otherwise be considered
General Data Protection Regulation (“GDPR”)	Regulation intended to strengthen and unify data protection for all individuals within the European Union
Gross carrying amount	Loan book before expected credit loss provision
Growth Guarantee Scheme (“GGS”)	The successor scheme to the Recovery Loan Scheme, the Growth Guarantee Scheme launched in July 2024 and is designed to support access to finance for UK small businesses as they look to invest and grow
High quality liquid assets (“HQLAs”)	Assets which qualify for regulatory liquidity purposes, including Bank of England deposits and sovereign and central bank debt
HM Revenue & Customs (“HMRC”)	The UK’s tax, payments and customs authority
Independent financial adviser (“IFA”)	Professional offering independent, whole of market advice to clients including investments, pensions, protection and mortgages
Internal Capital Adequacy Assessment Process (“ICAAP”)	An annual self-assessment of a bank’s material risks and the associated level of capital needed to be held, and undertaking appropriate stress testing of capital adequacy
Internal Liquidity Adequacy Assessment Process (“ILAAP”)	The processes for the identification, measurement, management and monitoring of liquidity
Internal ratings based (“IRB”) approach	A supervisor-approved method using internal models, rather than standardised risk weightings, to calculate regulatory capital requirements for credit risk
International Accounting Standards (“IAS”)	Older set of standards issued by the International Accounting Standards Council, setting up accounting principles and rules for preparation of financial statements. IAS are being superseded by IFRS
International Financial Reporting Standards (“IFRS”)	Globally accepted accounting standards issued by the IFRS Foundation and the International Accounting Standards Board
Leverage ratio	Tier 1 capital as a percentage of non-risk-weighted total exposures, adjusted for certain capital deductions, including intangible assets, and off-balance sheet exposures
Lifetime expected credit loss provision (“Lifetime ECL”)	Losses that result from default events occurring within the lifetime of the loan
Liquidity coverage ratio (“LCR”)	Measure of the group’s HQLAs as a percentage of expected net cash outflows over the next 30 days in a stressed scenario
Loan to value (“LTV”) ratio	For a secured or structurally protected loan, the loan balance as a percentage of the total value of the asset
Long-term bad debt ratio	Long-term bad debt ratio is calculated using IAS 39 until the change to IFRS 9 in FY19. Long-term average bad debt ratio of 1.2% based on the average bad debt ratio for FY08-FY25, excluding Novitas from FY21 onwards and Rentals businesses from FY24
Loss given default (“LGD”)	The amount lost on a loan if a customer defaults
Net asset value (“NAV”) per share	Total assets less total liabilities and AT1, divided by the number of ordinary shares in issue excluding own shares
Net interest margin (“NIM”)	Banking (adjusted) operating income divided by average net loans and advances to customers and operating lease assets excluding Vehicle Hire and Brewery Rentals
Net stable funding ratio (“NSFR”)	Regulatory measure of the group’s weighted funding as a percentage of weighted assets
Net zero	Target of completely negating the amount of greenhouse gases produced by reducing emissions or implementing methods for their removal
Paris Agreement	International treaty on climate change, adopted in 2015, with a goal to limit global warming to well below 2°C, and preferably to 1.5°C, compared to pre-industrial levels
Personal Contract Plan (“PCP”)	PCP is a form of vehicle finance where the customer defers a significant portion of credit to the final repayment at the end of the agreement, thereby lowering the monthly repayments compared to a standard hire-purchase arrangement. At the final repayment date, the customer has the option to: (a) pay the final payment and take the ownership of the vehicle; (b) return the vehicle and not pay the final repayment; or (c) part-exchange the vehicle with any equity being put towards the cost of a new vehicle
Probability of default (“PD”)	Probability that a customer will default on their loan
Prudential Regulation Authority (“PRA”)	A financial regulatory body, responsible for regulating and supervising banks and other financial institutions in the UK
Return on assets	Adjusted operating profit less tax and AT1 coupons divided by average total assets for continuing operations at the balance sheet date and prior year
Return on average tangible equity (“RoTE”)	Adjusted operating profit, less tax and AT1 coupons, divided by average total shareholders’ equity, excluding intangible assets and AT1, for continuing operations

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Return on net loan book ("RoNLB")	Banking adjusted operating profit divided by average net loans and advances to customers and operating lease assets excluding Vehicle Hire and Brewery Rentals
Return on opening equity ("RoE")	Adjusted operating profit less tax and AT1 coupons divided by opening equity for continuing operations, excluding AT1
Risk weighted assets ("RWAs")	A measure of the amount of a bank's exposures, adjusted for risk in line with the CRR. It is used in determining the capital requirement for a financial institution
Scope 1, 2 and 3 emissions	Categorisation of greenhouse gas emissions, as defined by the Greenhouse Gas (GHG) Protocol, into direct emissions from owned or controlled sources (Scope 1), indirect emissions from the generation of purchased electricity, heating and cooling consumed by the reporting company (Scope 2), and all other indirect emissions that occur in a company's value chain (Scope 3)
Significant increase in credit risk ("SICR")	An assessment of whether credit risk has increased significantly since initial recognition of a loan using a range of triggers. Accounts which have experienced a significant increase in credit risk will be allocated to Stage 2
Standardised approach	Generic term for regulator-defined approaches for calculating credit, operational and market risk capital requirements as set out in the CRR
Subordinated debt	Represents debt that ranks below, and is repaid after claims of, other secured or senior debt owed by the issuer
Task Force on Climate-related Financial Disclosures ("TCFD")	Regulatory framework to improve and increase reporting of climate-related financial information, including more effective and consistent disclosure of climate-related risks and opportunities
Term funding	Funding with a remaining maturity greater than 12 months
Term Funding Scheme for Small and Medium-sized Enterprises ("TFSME")	The Bank of England's Term Funding Scheme with additional incentives for SMEs
Tier 2 capital	Additional regulatory capital that along with Tier 1 capital makes up a bank's total regulatory capital. Includes qualifying subordinated debt
Total funding as percentage of loan book	Total funding divided by net loans and advances to customers and operating lease assets
Total shareholder return ("TSR")	Measure of shareholder return including share price appreciation and dividends, which are assumed to be re-invested in the company's shares
Watch list	Internal risk management process for heightened monitoring of exposures that are showing increased credit risk