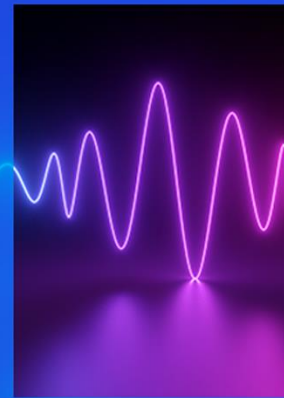


ECL Pulse Survey Q3 2026

KPMG. Make the Difference.

October 2026



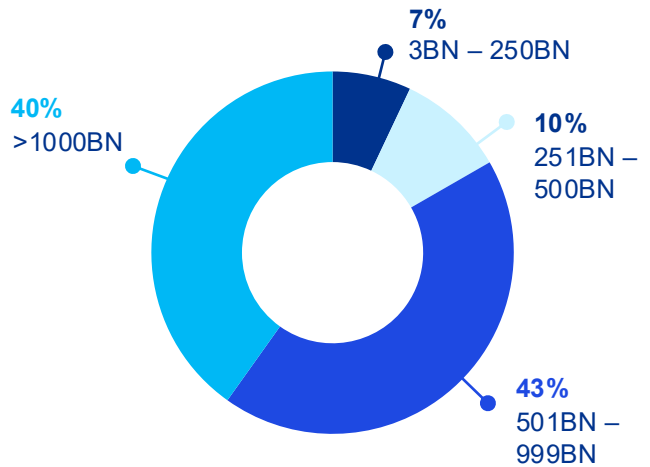
During Q3'26, we surveyed UK banks and specialist lenders to benchmark Expected Credit Loss ('ECL') outlooks. The findings highlight key themes shaping the current credit risk landscape and provide insights into how firms are responding to ongoing economic uncertainty.

Economic uncertainty remains elevated as geopolitical developments, changing growth expectations and evolving credit market conditions continue to influence the outlook for borrowers and lenders. In this environment, estimating expected credit losses (ECL) remains complex and judgemental, particularly where management judgement is required to assess emerging risks and macroeconomic uncertainty.

KPMG surveyed a range of banks and specialist lenders to understand how companies are responding to these developments and incorporating them into their ECL estimates. Survey responses were collected between 3 September and 1 October 2026. As conditions continue to evolve, firms are expected to reassess the assumptions and judgements supporting their ECL estimates as part of the quarter-end reporting process.

Who we surveyed

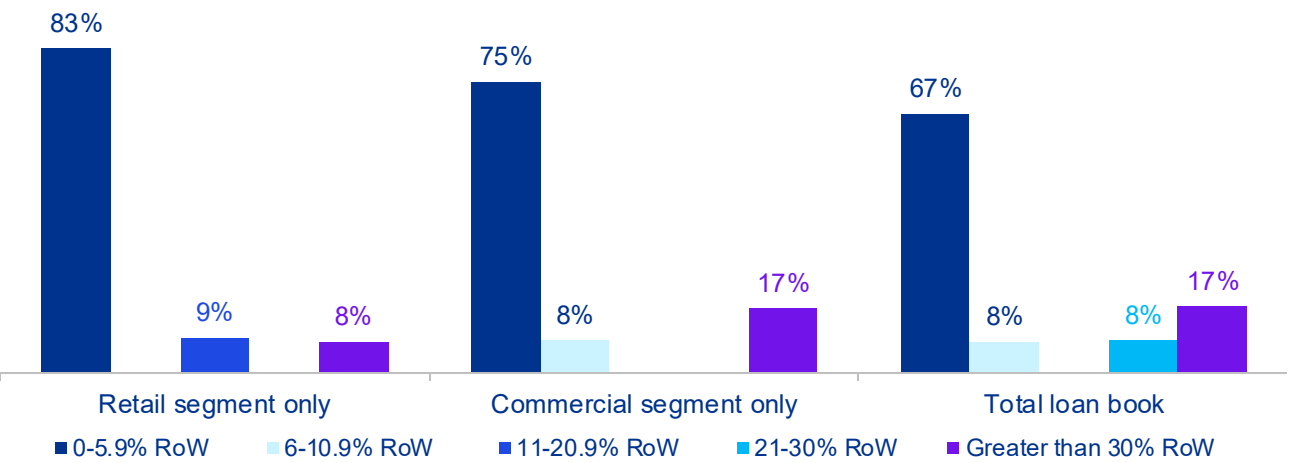
We surveyed a wide range of banks and specialist lenders with varying asset sizes.



Responses for Q3 2026 were obtained between 3 September and 1 October 2026 and reflect information known at that time.

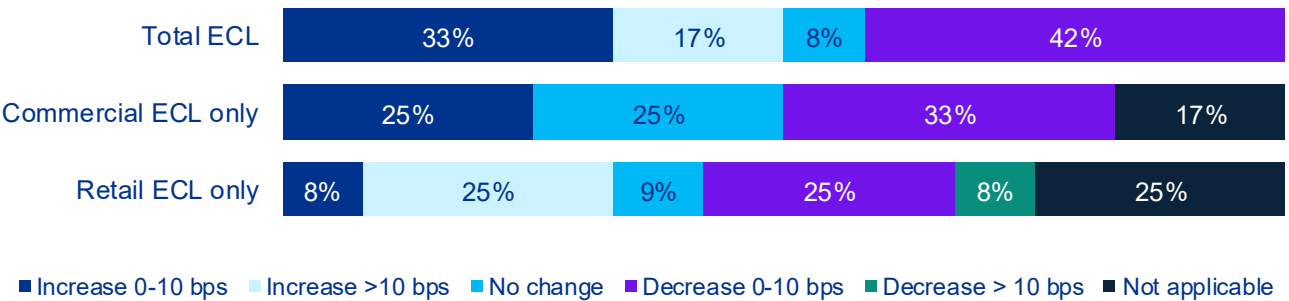
Expected ECL impact on loan book

01 What percentage (%) of your Company’s total loan book exposure do you expect to be attributable to the rest of the world ('RoW') versus UK as at 30 September 2026?



In Q3’26, the majority of respondents indicated that the proportion of total book exposure attributable to the rest of the world remains relatively low across portfolios. Most respondents expect RoW exposure to fall within the 0–5.9% range for the total loan book, as well as for both the commercial and retail segments. A smaller proportion anticipate higher RoW exposure, with limited responses indicating exposure above 20%, and few expecting exposure greater than 30%.

02 How much do you expect the ECL coverage ratio to change from 30 June 2026 to 30 September 2026?
For example, a change in coverage from 1.0% to 1.1% represents an increase of 10 basis points.

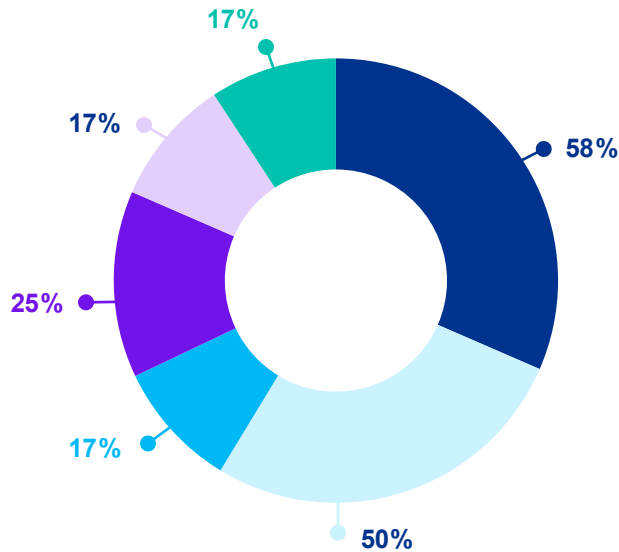


In Q3’26, respondents expect ECL coverage ratios to remain broadly stable overall, although there is a slight lean towards coverage increases overall. Across total portfolios, 50% of respondents expect coverage ratios to increase, while 42% expect decreases, only 8% expect no change. Commercial portfolios show 25% of respondents expecting coverage ratios to increase, compared to 33% expecting a decrease of 0-10 basis points. Retail portfolios display greater variation in expectations, with 33% expecting increases, 33% expecting decreases, and 9% expecting no change.

Note: ‘Not applicable’ includes respondents that do not have exposure for the relevant retail or commercial segments.

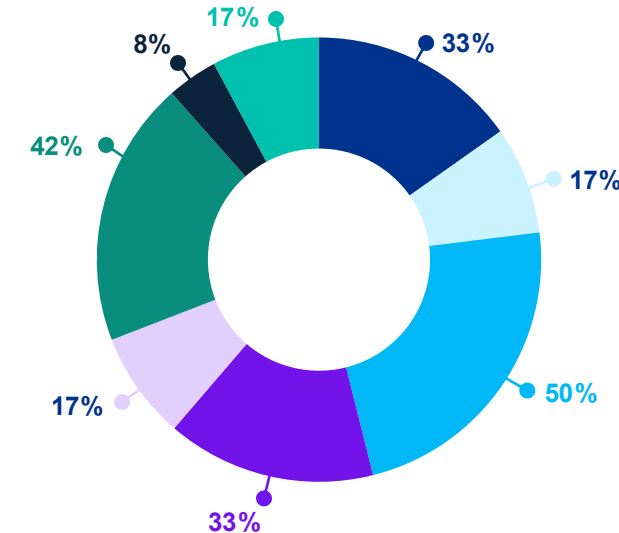
Expected ECL impact on loan book (cont.)

03 What do you expect the primary drivers of change to be in the ECL balance from 30 June 2026 to 30 September 2026? (excluding changes due to loan volume)? Select up to 3 responses.



*Charge-offs relate to the amount of lending expected to be written off as considered not recoverable.

04 What are the top 3 economic factors having the greatest impact on your Company's change in ECL estimate from 30 June 2026 to 30 September 2026?



In Q3'26, the largest driver of change in the ECL, excluding loan volume fluctuations, remains changes in expectations about future economic conditions, selected by 58% of the respondents. The second most significant driver was changes in individually assessed exposures (50%), followed by changes in charge offs (25%). A smaller proportion of respondents identified changes in asset quality and changes in qualitative adjustments due to factors other than changes in expectations about future economic conditions at 17% each as contributing factors.

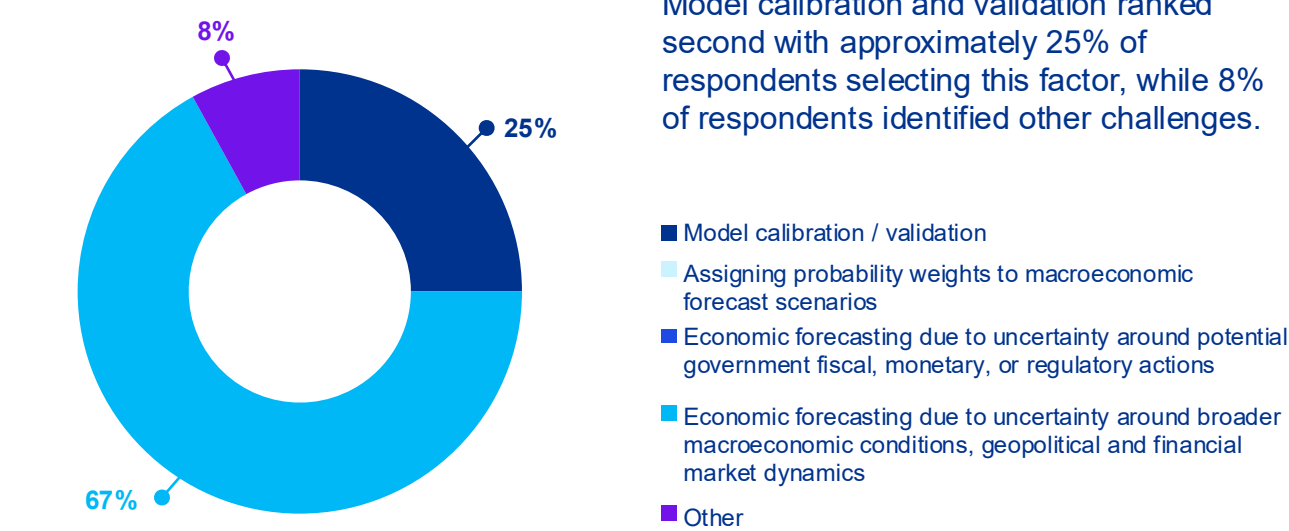
- Changes in expectations about the future economic conditions
- Changes in individually assessed exposures
- Changes in qualitative adjustments due to factors other than changes in expectations about future economic conditions
- Changes in portfolio composition
- Changes in asset quality
- Changes in charge offs*
- Changes in underwriting
- Other

In Q3'26, 50% of respondents identified the unemployment rate amongst the top 3 macroeconomic factors expected to have the greatest impact in determining ECL estimates. House prices ranked second, with 42% of respondents identifying this in the top 3 factors. Economic activity (GDP) and inflation were both cited by another 33% of respondents.

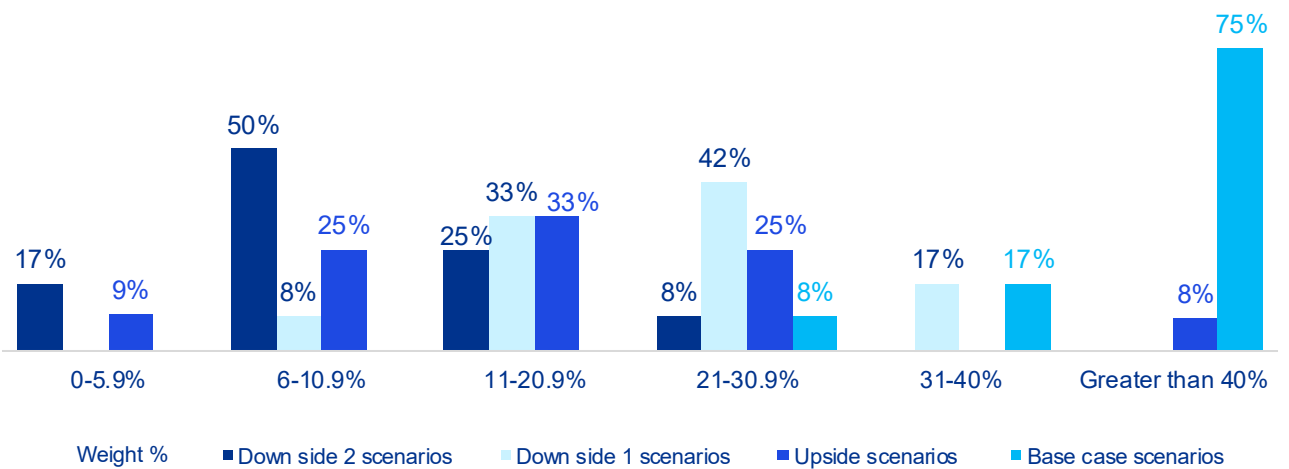
- Inflation (CPI)
- Short-term interest rate (Bank Rate)
- Long-term rate (10-year Gilt yield)
- Unemployment rate
- Economic activity (GDP)
- Financing conditions (credit spread)
- House Price
- Commercial Real Estate Price (CRE)
- Other

Expected ECL impact on loan book (cont.)

05 What is the greatest challenge you are experiencing in determining your Company’s ECL estimate this quarter?



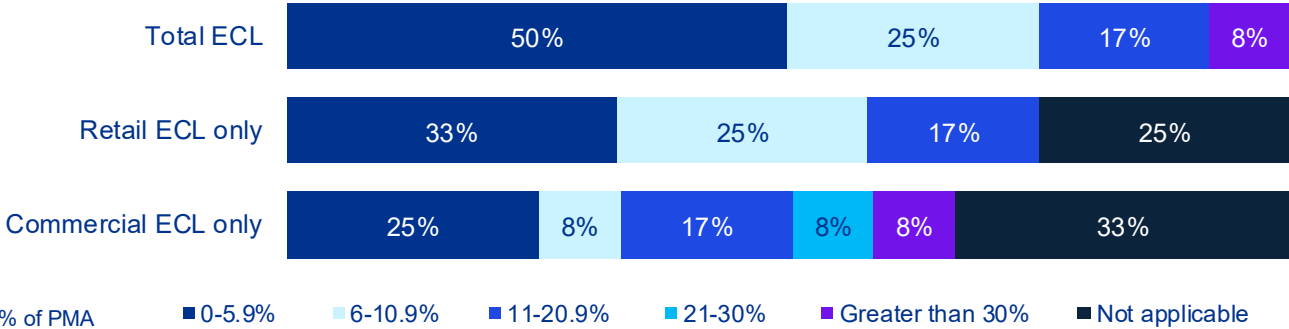
06 What percentage (%) probability weights do you plan to use for your Q3 2026 macroeconomic scenarios where your model uses multiple economic scenarios?



The survey suggests a strong weighting towards base case scenarios, with 75% of respondents assigning more than 40% probability to the base case and a further 17% allocating 31–40% weight to base case. Upside scenarios are generally given lower weightings, with most responses concentrated below 30% weighting. The downside scenarios show a broader distribution, with some respondents assigning relatively higher weights (particularly in the 6–30% ranges), indicating continued downside risk consideration.

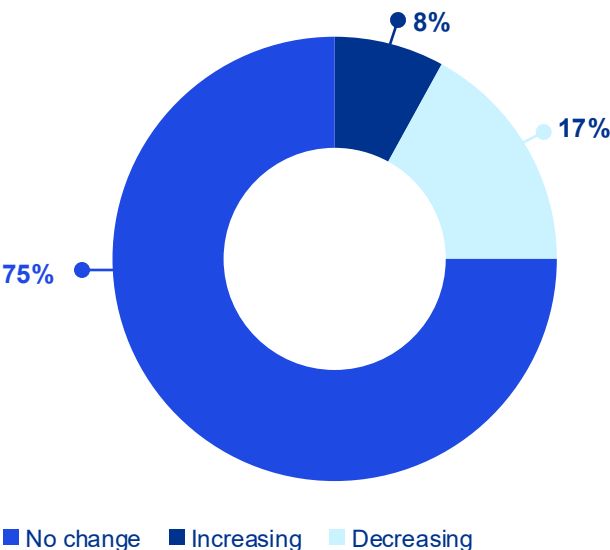
Post model adjustments

07 What percentage (%) of your Company’s ECL would you estimate to be based on post model adjustments (PMAs) as of 30 September 2026?



PMAs remain a relatively modest component of ECL across respondents overall. Half of respondents indicated that PMAs accounted for less than 6% of total ECL, with a further 25% reporting PMAs between 6-10.9%. Commercial portfolios show a greater overall distribution as compared to retail portfolios with 33% of respondents reporting PMAs comprising greater than 11% of commercial ECLs. Note: Not applicable includes respondents that do not have PMAs within the relevant retail or commercial segments.

08 What is the direction of economic uncertainty related PMAs from 30 June 2026 to 30 September 2026? (excluding changes due to loan volume)?

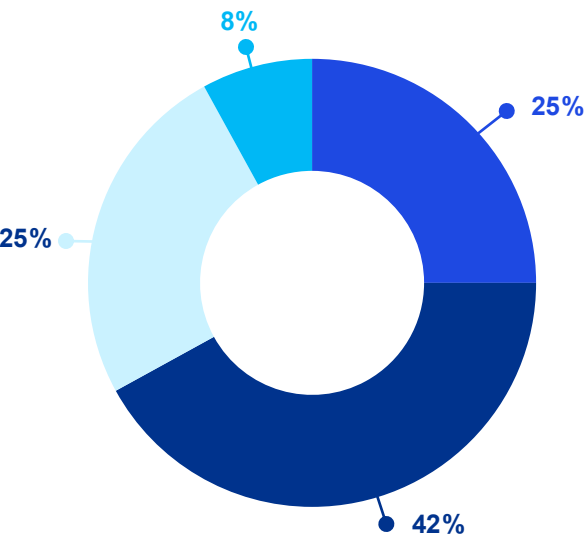


Respondents indicate that economic uncertainty-related PMAs are expected to remain broadly stable through September 2026. The majority of respondents (75%) anticipate no significant change in the level of economic uncertainty overlays, while 8% expect PMAs to increase and 17% expect them to decrease.

Overall, the results suggest that firms view the current economic outlook as relatively unchanged from the previous quarter, with limited expectation of significant adjustments to existing macroeconomic uncertainty overlays for Q3.

Post model adjustments (cont.)

09 What do you expect the primary driver of your post-model adjustments (PMAs) to be as of 30 September 2026?

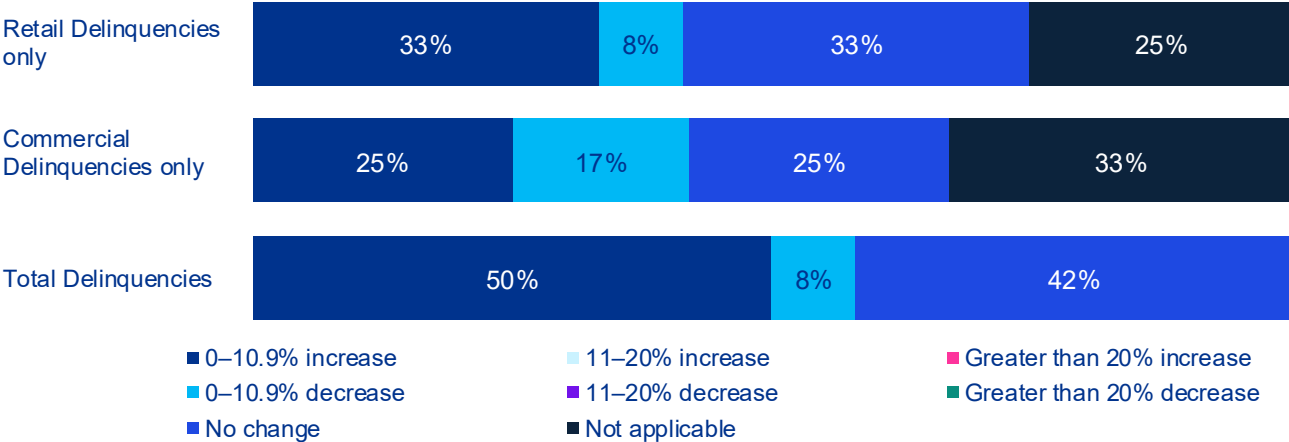


Model-related factors are shown to be the primary drivers of PMAs. Nearly half of respondents (42%) anticipate adjustments arising from model limitations or calibration lag, while 25% expect overlays addressing emerging idiosyncratic risks not captured by existing models to be the primary driver of PMAs. Macroeconomic uncertainty remains the primary PMA driver for 25% of respondents, with only 8% citing data limitations as the primary driver of PMAs.

- Economic uncertainty or macroeconomic overlay beyond modelled scenarios inclusive of geopolitical risks, tariffs
- Model limitation or calibration lag, such as the model not yet capturing recent portfolio changes
- Emerging or idiosyncratic risk not captured in models, such as sector or industry concentration
- Data limitations
- Climate-related risk
- Other (please specify below)

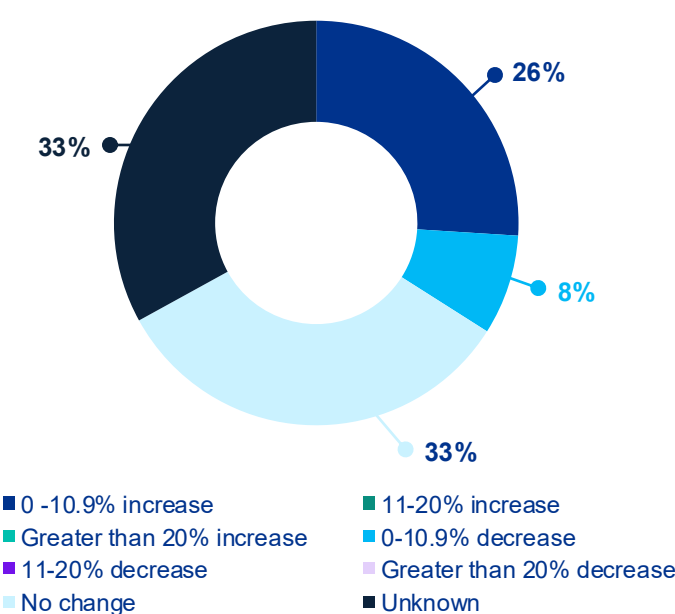
Staging and Delinquencies

10 What percentage (%) increase or decrease in your Company’s delinquencies do you expect from 30 June 2026 to 30 September 2026?



Survey responses suggest that institutions expect only modest changes in delinquency levels for Q3. For total delinquencies, 50% of respondents anticipate a small increase of up to 10.9%, while 42% expect delinquency rates to remain unchanged. Commercial portfolios show a more balanced distribution of views, with 25% identifying modest increases, 17% expecting modest decreases, and 25% reporting no changes. Amongst Retail portfolios, 33% are expecting slight increases in delinquencies and 33% expecting no change. None of the respondents expect delinquencies to increase or decrease by more than 11%, indicating a relatively stable credit environment for the quarter.

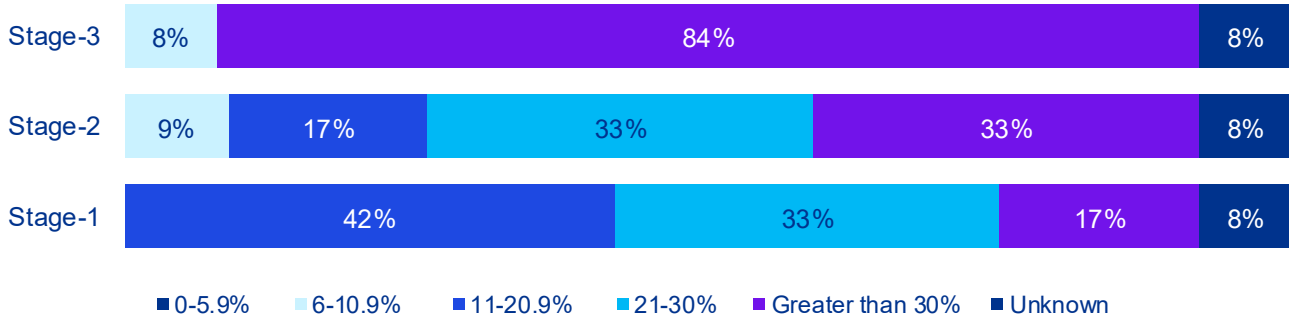
11 What percentage (%) increase or decrease in your Company’s non-performing commercial loans, do you expect from 30 June 2026 to 30 September 2026?



Expectations for non-performing commercial loans remain broadly stable for the September 2026 quarter-end. One-third of respondents expect conditions to remain unchanged. A further 26% anticipate a modest increase of up to 10.9%, whereas only 8% expect a decrease. Overall, the results suggest limited expectations of significant deterioration in commercial credit quality.

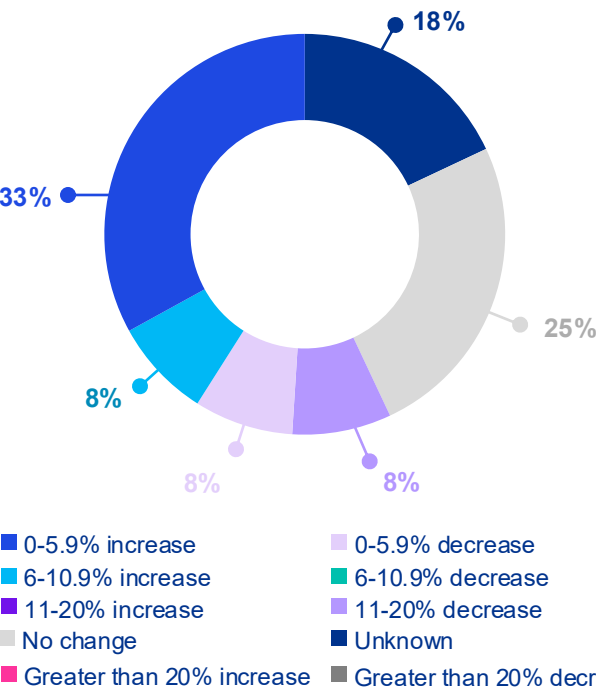
Staging and Delinquencies (cont.)

12 What percentage (%) of your Company’s ECL do you expect in each of the stages as of 30 September 2026?



The survey responses indicated that ECL is expected to remain concentrated in Stage 2 and Stage 3 exposures. Stage 3 shows the highest concentration, with 84% of respondents expecting more than 30% of total ECL to relate to Stage 3. Stage 2 also remains a significant component of expected ECL, with a third of respondents indicating that Stage 2 would account for more than 30% of ECL and a further 50% expecting it to fall within the 11–30% range. Stage 1 responses indicate 75% of respondents expecting Stage 1 ECLs to comprise 11-30% of total ECL.

13 What percentage (%) increase or decrease in your Company’s stage 2 loan exposure as a proportion of total loan exposure, do you expect from 30 June 2026 to 30 September 2026?



Survey responses indicate a generally stable outlook for Stage 2 loan exposure this quarter. The most common expectation (33%) is for a modest increase of up to 5.9%. However, views remain mixed, with 16% of respondents expecting Stage 2 exposures to decline and 25% anticipating no material change.

Key takeaways

Economic uncertainty continues to make ECL estimation highly judgmental, requiring clear, well-supported explanations of the assumptions, models, and qualitative overlays used. As Q3'26 reporting is finalised, companies should prioritise transparent disclosure and close coordination with boards, auditors, and advisors so stakeholders can understand the key drivers of reported ECL outcomes.

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