Skipton Group

Annual Report & Accounts 2025

Skipton Group

We are driven by our mutual heritage

Skipton Building Society (the Society) has come a long way since it was founded in 1853, supporting members with their financial wellbeing.

We are here to help people have a home, save for life ahead, and support long-term financial wellbeing.

Our mutual foundation of looking after members, and our overarching purpose, have remained the same since the Society was first founded.

We are built on two core member needs – Homes and Money

We help people have a home

We help people finance homes through the Society and Skipton International Limited (SIL); and support people in buying, selling, and renting homes through our property services group, Connells.

We make money work harder

We are here to make members' money work harder, with a range of savings products, Financial Advice products, and services through the Society and SIL.

We are a financially strong and diverse Group, providing a range of skills and knowledge to our members

The Skipton Group model was developed in the 1980s. The aim was to build on the Society's mutual roots, by developing a diverse range of businesses that help people with a variety of financial needs.

Across our businesses we offer products and services that make a difference to millions of lives. We innovate, campaign on issues that matter, and strive to do things that benefit our communities and bring value to society as a whole. Our mutual backdrop gives us the opportunity to do that.

In addition to our core businesses (the Society, SIL and Connells group (Connells)) our diverse Group also includes our invoice finance and asset-based lending business, Skipton Business Finance (SBF) and our innovative New Zealand-based AI-software company, Jade.

Together, we are diverse and resilient

Leveraging the Group's structure, unique mix of businesses, and our proud mutual status, we can give more to our members, being there in the moments that matter most to them.

It provides us with a diversified range of capabilities and enhanced financial strength; with our strong performance showing just how valuable our diverse Group is in meeting customers' financial needs.

Building a better Society

We are harnessing the collective power of the Group to offer products and services to meet the needs of our members and customers, providing innovative and unique solutions to real-life problems.

We are also using our Group platform to be an advocate for change - we recognise the opportunity we have as Skipton Group to become a powerful voice campaigning on societal issues.

SKIPTON BUILDING SOCIETY · Connells group · SKIPTON INTERNATIONAL · Sbf. Skipton Business Finance · jade

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This report contains lots of charts and tables. We appreciate sometimes these don't work for everyone so if you have struggled understanding any of our Report and would like the data in plain text, please let us know.

Performance & Strategy

Chair's Statement

"The past year has brought new opportunities for the Skipton Group in a challenging economic environment."

Gwyn Burr,
Chair, Skipton Group

In the UK, inflation peaked at 3.8% before gradually easing to 3.4% by the end of the year, offering some respite for households after a prolonged period of rising prices. Nevertheless, many families continue to feel the effects of higher living costs, and our commitment to supporting our members and customers remains as strong as ever.

As we deliver the third year of our strategic plan, every decision is guided by our mutual purpose and anchored in our strategic priorities, enabling us to support more first-time buyers, expand our advice propositions, reward our members with competitive products and maintain excellent service standards. Our strategy is based on a solid framework that allows us to continue to support our members in an ever-changing world, despite the complexities of market and geopolitical pressures that we more regularly experience today, particularly across the housing ecosystem.

We continue to invest in our Group businesses for the future, ensuring that we remain well-positioned to meet the evolving needs of our members and communities. Our strategic priorities are detailed in the Group Chief Executive's Report.

Throughout 2025, we have continued to strengthen our teams and enhance corporate governance across the Skipton Group, and we remain well-placed to continue to deliver on our strategy for the benefit of our members.

Our Group is made up of diverse and resilient businesses, each contributing to our purpose, and our financial performance.

Skipton Building Society (the Society) holds members at the heart of everything we do, supporting them with their financial needs. Over the year, the Society has remained resilient, delivering a profit before tax (PBT) of £189.3m (2024: £209.9m), with the reduction in profit compared to 2024 being accountable in the main due to the strategic buy-back of Permanent Interest-Bearing Shares (PIBS), costing £28m (pre-tax) but leading to reduced future interest payments, and increases in loan impairment amidst an uncertain economic climate.

Connells group (Connells) our property services group, continued to play a pivotal role within the broader Skipton Group, having improved profitability through the year, achieving a PBT of £73.1m (2024: £61.3m). They have also continued to undertake strategic acquisitions and investment in technology to support colleagues and customers, and provide a platform for further growth.

Skipton International (SIL) our Guernsey-based savings and mortgage bank remained a valuable contributor to its customers and to our Group. SIL has delivered successive years of strong performance and has since reached an inflection point, due in part to an evolving regulatory environment in Guernsey and the implications of that for the business. To position the business for sustainable future success, we took deliberate steps in 2025 to strengthen our infrastructure – mainly in response to historic issues with the book of business and of SIL's policies, procedures and overall risk management infrastructure – and enhance the management team to set the business up for the next phase of its journey. As a result, SIL PBT of £12.1m (2024: £31.0m) reflects a reduction in new business volumes.

Chair's Statement (continued)

Skipton Business Finance (SBF) our invoice financing and asset-based lending business delivered another year of growth and innovation in 2025, building their new Asset Based Lending proposition to broaden their product offering and increase their market reach. SBF will continue to invest in technology, processes, and journey improvements, positioning themselves for continued sustainable growth.

Jade our AI and software business completed the acquisition of Contec Group International in November 2025, significantly expanding its footprint in global dairy supply-chain technology and driving new recurring global SaaS income streams that strengthen our Group and enable us to reinvest more value back into products and services for members.

Our colleagues

This has been another year where the dedication and enthusiasm of our colleagues have been fundamental to our success. Their unwavering commitment to going the extra mile for our members and customers plays out daily.

In 2025, the Society made real steps in building an engaged and valued workforce. We doubled down on our diversity and inclusion efforts by leveraging our colleague diversity data to ensure that we are building a welcome environment for all. We achieved gender parity for the second year running in our senior leadership population and exceeded our targets for diversity and inclusion. I would once again like to thank our Employee Resource Groups (ERGs) for the voluntary effort and passion they put into fostering an inclusive culture.

We took a significant step forward in 2025 in respect of actively listening to our colleagues, by implementing a pulse format of colleague surveys and measuring colleague engagement through employee Net Promoter Score (eNPS). I'm delighted to report that our colleague eNPS achieved 42, which supports our 5-year ambition of being in the top 25% of financial services in the UK. We will use this as a baseline for further improvement in 2026.

42 Society employee Net Promoter Score (eNPS)

(2024: N/A)

We are committed to supporting all colleagues wanting to advance in their careers across the Skipton Group, ensuring that we maintain and enhance an environment where all colleagues can thrive.

Sustainability

This year, we have made great progress in delivering on our sustainability ambitions. We have now set a Group-wide 2030 target, supported by a clear plan for how we will achieve this; marking an important step on our journey to net zero by 2050. Our efforts remain focused on reducing emissions and supporting the decarbonisation of the UK housing stock, including sharing our learnings from the retrofit of a house we own in Skipton, which we have also used to inform and support policy recommendations to the government on this important topic.

We have continued to strengthen how we manage and oversee sustainability across the Group. The Group Sustainability Committee, established in 2024 to coordinate and drive progress on our environmental and social priorities, is now fully embedded. This year, we expanded its remit and integrated our climate risk governance into our wider sustainability framework, creating a more centralised and holistic view of how sustainability and climate risk initiatives connect and align with our strategic opportunities.

We recognise that the sustainability landscape continues to evolve, with new regulation, shifting expectations and emerging best practice. We will continue to evaluate the best course of action for the Group as we manage our targets and plans. Further details of our progress can be found in our 2025 Skipton Group Sustainability Report.

Giving back to our communities continues to be a cornerstone of who we are. We remain committed to pledging 1% of our annual Group PBT to charitable causes that align with our purpose.

At our 2025 Annual General Meeting (AGM), members voted to select Refuge as our next strategic charity partner, and we look forward to supporting their vital work over a three-year period.

Board changes and Governance

During 2025, several changes were made to the composition of the Society's Board of Directors.

Philip Moore and **Mark Lund** stepped down at the AGM in April as Non-Executive Director and Senior Independent Director respectively, after many years of valuable service. Despite stepping down from the Society board, we are pleased that Mark has continued to serve as Chair of Connells' board.

Andrew Bottomley also retired as Executive Director and CEO of our Money business in April, after more than nine years with the Society.

We thank each of them for their immense contributions and commitments they have made.

Chair's Statement (continued)

Graham Lindsay joined the Board in May as Senior Independent Director, bringing more than 45 years of wide-ranging Executive-level experience in retail, wealth and commercial banking. He is already making a significant impact, and I look forward to working closely with him over the years to come.

Changes across the Skipton Group

In September we welcomed **Susan Fouquier** as CEO of SIL. Susan has over two decades of experience in institutional and offshore banking and a passion for colleague engagement, diversity and inclusion. These skills will be invaluable as we continue to grow this business for the future.

At the same time, we saw the retirement of **Jim Coupe** after more than 15 years as SIL CEO. Jim was a driving force behind the impressive growth of SIL and we acknowledge his enormous contribution.

We also continued to enhance our corporate governance arrangements throughout the Group, appointing, **Peter Griffith OBE** as chair of Connells with effect from February 2026. Peter has had a distinguished career spanning over four decades. He served as CEO of Sainsbury's Bank (2012–2019) and CEO of Principality Building Society (2002–2012). Peter's exceptional leadership experience and extensive experience in corporate governance and risk management will be invaluable as Connells continues to strengthen its position as the UK's leading estate agency and property services provider.

Both SIL and Connells also recruited new Non-Executive Directors during 2025, while SBF appointed **Cathy Lewis** as independent Non-Executive Chair with effect from January 2026. These appointments collectively strengthen those individual boards and the oversight of each business as they pursue their own strategic objectives within the Skipton Group.

Looking ahead

As we look to the future, I am filled with optimism and confidence in the strength and potential of the Skipton Group. Our mutual values, talented teams and commitment to innovation will, I believe, ensure that we are well placed to seize new opportunities.

Together, we will continue to deliver real value for our members – through competitive rates and innovative services that support our communities and build a more sustainable future.

G Burr

Gwyn Burr

Chair, Skipton Group
17 February 2026

Group Chief Executive's Report

"2025 was another successful year of growth and transformation in pursuit of our purpose; helping people have a home, saving for life ahead, and supporting long-term financial wellbeing."

Stuart Haire,
Group Chief Executive

Skipton are here to help more people have a home, save for life ahead and support long-term financial wellbeing. Our purpose, dating back to 1853 when the Society was first founded, remains as relevant now as it was then.

Our diversified Group is built on a solid foundation of mutual ownership, placing members and customers at the heart of everything we do. This shapes how we govern and operate and underpins our products and services. Our core businesses are committed to helping people finance their homes (Homes business and SIL), buying and selling their homes (Connells), and making their money work harder (Money business and SIL).

Delivering our Purpose

2025 was a year of resilience and agility. Despite housing market pressures and economic uncertainty, we delivered the third year of our strategy in line with our purpose.

Our Homes business supported 26,000 first-time buyers, equating to 50% (2024: 44%) of our new lending - a goal we originally set for the end of 2028. Our commitment to first-time buyers has resulted in our market share increasing to 4.0% (2024: 3.8%) of this segment (Source: UK Finance – Regulated Mortgage Survey; as at November 2025 being latest available).

Connells, our property services group, continued to support around one in ten home movers across the UK. Connells helped more people have a home by facilitating 85,982 exchanges on properties for sale (2024: 78,995). Facing into a difficult market in the second half of the year, they continued to grow income to £1,177m (2024: £1,069m) and grow their lettings business to 128,396 properties under management (2024: 126,590).

9.7% Connells Estate Agency market share

(2024: 9.8%*) **restated based on share of new listings*

Our Money business continued to deliver on our ambition to provide free advice to our members, and in 2025 we delivered over 64,000 free advice conversations, representing a 63% increase on last year.

26,009 Keys for first-time buyers

(2024: 20,071)

77,773 Total regulated and non-regulated advice conversations

(2024: 51,763)

Group Chief Executive's Report (continued)

As we execute on our purpose, our Group mortgage and savings book growth has outpaced the market by 5.4% and 3.5% respectively, with our Group mortgage book surpassing £33bn, and our Society savings book surpassing a £30bn milestone for the first time.

Throughout 2025, our other Group business, SBF (invoice finance and asset-based lending), had a successful year, with profits increasing by 8%. While Jade (AI and software) completed the strategic acquisition of Contec Group International Limited, which is expected to boost Jade's annual revenue by up to 25%. In addition to Jade providing core Group IT systems, they contribute alongside SBF to our overall Group profits, which we use to reinvest back into the Society to create a sustainable, resilient and future-ready business for our members.

Collectively, our Group businesses delivered another year of strong financial performance, despite external headwinds and a 'stop start' UK housing market.

£294.9m Group underlying PBT

(2024: £302.3m)

Making membership matter more

We are focused on making sure more members are choosing Skipton to support their long-term financial needs. As we provide more value back to them through above market average rates, we continue to demonstrate our commitment to fairness and making their money work even harder.

£195.7m Value returned through above market average savings rate

(2024: £197.1m)

We have delivered 0.68% (2024: 0.74%) above average market rate to our savers, providing £195.7m more interest into our members' pockets (Source: CACI Current Account & Savings Database, Stock, 12-months December 2024 - November 2025).

We have continued to support our members by developing new propositions, such as our free advice Stocks and Shares ISA. Our members have also benefited from exclusive savings rates, enabling them to grow their savings over the long-term.

Standing up for members and society

Across our Group, we continued to campaign for meaningful change on behalf of our members, communities and wider society. We published two further editions of our Skipton Group Home Affordability Index, which highlights the continuing affordability crisis for first-time buyers, particularly the five million adults living with parents in the UK.

THE SKIPTON GROUP HOME AFFORDABILITY INDEX

September 2025

Home affordability is at its lowest in **17 years**

Even if deposit hurdles were removed, **over 90%** would spend **more than 45%** of their income on essential housing costs

49/50 adults living with parents cannot afford the average first-time buyer home in their area

These insights informed our engagement with policymakers, including the Treasury Select Committee, as we advocated for reforms to the Loan-to-Income cap, reduced Stamp Duty and improvements to the Lifetime ISA.

Standing with our Building Society peers, we have been active in opposing the proposed cuts to the Cash ISA allowance which could impact both our savers and borrowers.

Enhancing member and broker satisfaction

Through our commitment to enabling member participation and member and colleague listening, we have continued to improve the service standards we deliver. This is reflected in maintaining high satisfaction scores across our businesses amidst the backdrop of increasing expectations.

Group Chief Executive's Report (continued)

90% Society net customer satisfaction

(2024: 90%)

Listening to members has guided our investments in technology, systems and colleague development so that members have the flexibility to interact with our businesses seamlessly in the channel of their choice. Combining our colleagues' expertise with technology allows us to deliver a human-touch experience in a digital world.

Investing for the future

Through our transformation activity, we are enabling better service for our members, utilising our new Customer Engagement Platform to support over 24,800 advice conversations this year, combined with upskilling more than 1,000 colleagues.

For members engaging digitally, our new app and enhanced Portal will offer a simpler, more intuitive experience. During the second half of the year, we deployed our new app to all borrowers, with 57% of those downloading the app being regular users. We will see full deployment across our member base in 2026 and build more features into it, enhancing their experience further.

We have also improved journeys for brokers and borrowers, streamlining processes and leveraging technology, making it faster for members to get the support they need.

We are strengthening our agile practices of change delivery to return value to members quicker, collaborating across our businesses to embed these practices and leverage our collective insights to solve for more societal challenges.

We have adopted automation and AI tools including Microsoft Copilot so that our colleagues have access to the information they need, when they need it. Since April, over 1,270 colleagues have used our AI tool, signalling growing confidence, curiosity, and capability when using AI. This has supported colleagues to unlock new ideas and champion efficiency for our members.

Jade, our AI and software business, developed and deployed new automation and AI tools to their Jade Platform clients in 2025, continuing to be a leading provider of industry-specific Software as a Service (SaaS).

This year, we have made deliberate, value-based choices in the Society to prioritise long-term member value over short-term business gains. We are investing in technology, service and innovation that strengthens our sustainability and sets us apart – creating enduring benefits for members and the communities we serve.

Through Connells (via Legal Marketing Services (LMS)), we continue to support the industry ambition of transforming the home buying and selling journey for all parties through cross-sector collaboration, streamlining and digitising the process. This year, our National Property Transaction Network (NPTN) pilot reduced the time between Sold Subject to Contract (SSTC) to exchange by 35% and reduced the cancellation rate by 43%. We have taken the first steps to scaling this to a whole-of-market solution – a move that could transform property transactions across the UK.

We have made targeted acquisitions of complementary businesses across the Group, to further support our growth ambitions so that we can deliver even greater value for our members. These acquisitions include additions to Jade, our Lambert Smith Hampton commercial real estate advisory business and our London estate agency portfolio within Connells.

Growing our colleagues and talent

We are continuing to strengthen and diversify our Group leadership, welcoming new Executive and senior talent including Jasvinder Gakhal as Chief Executive Officer of our Money business and Susan Fouquier as Chief Executive Officer of SIL.

The recruitment of such accomplished leaders enhances our ability to deliver more innovative, customer-focused services.

We remain committed to investing in colleague development, fostering a culture of curiosity, growth and empowerment. In 2025, we enriched our leader training and deployed enhancements to our Workday platform, enabling Society colleagues to access insight more efficiently. We have also shared skills and expertise across our Group to facilitate colleague growth.

Our colleagues are vital to our success and through embedding our new Society colleague listening survey, we have introduced better feedback avenues to connect and address this feedback promptly. As a result, our engagement levels have increased by nine points, with 89% of colleagues participating in the survey.

As we grow, we will continue to invest in the development of our ability to deliver innovative, customer-focused and member centric services.

Group Chief Executive's Report (continued)

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Society Diversity & Inclusion Net Promoter Score

(2024: N/A)

Continuing with purpose into 2026

I am proud of the progress that our Group has made towards achieving its strategy and purpose, and I would like to thank all Skipton Group colleagues for their commitment to continuously delivering for our members, customers, and wider society.

At a time when more people are facing financial challenges, whether that's buying a first home, saving and investing, or looking for trusted advice, Skipton Group has been there to help. We have remained focused on addressing these challenges, supporting members with our innovative products and advice, and influencing policy to drive purposeful change.

Despite facing into continued economic uncertainty in 2026, our strength as a mutual and as a Group means we can keep putting members first – investing in better experiences and supporting financial wellbeing for generations to come. I am confident that the power of our Group will continue to make a meaningful difference, playing our part in building a more financially resilient society.

S Haire

Stuart Haire

Group Chief Executive
17 February 2026

Our commitment to members and customers through 2025 has been recognised externally by the achievement of the following awards:

Helping People Have a Home

- What Mortgage Awards: Best Intermediary Lender – highly commended (Society) and Best National Building Society - winner (Society)
- Moneyfacts Awards: Best Service from a Mortgage Provider – winner (Society)
- British Mortgage Awards: Business Leader: Intermediary Lender – Charlotte Harrison - winner (Society)
- Chartered Institute of PR Awards: Business Communications Campaign - Skipton Group Home Affordability Index: Redefining housing affordability - shortlisted (Group)
- Property Management Awards: Regional Property Management Company of the Year - finalist (LSH Residential, Connells)

Making Money Work Harder

- Moneynet.co.uk Awards: Best Building Society Savings Provider - winner (Society)
- YourMoney.com Personal Finance Awards: Best Junior ISA Provider – winner (Society)
- Money Comms Awards: Best Regular Savings Provider - winner (Society) and Best Building Society Savings Provider - winner (Society)
- Moneyfacts Consumer Awards 2025: Offshore Account Provider of the Year - winner (SIL)

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Skipton Group

Our Group Business Model

Key business lines

The Skipton Group primarily comprises mortgage lending and deposit taking by the Building Society and SIL, and buying, selling and renting homes through Connells.

The Group's operating results are reviewed regularly by our Group Board for the following key business lines - these three key business lines support delivery of our strategic priorities.

	Help People Have a Home	Make Money Work Harder
Connells group	✓	
SKIPTON BUILDING SOCIETY — Homes	✓	
SKIPTON BUILDING SOCIETY — Money		✓
SKIPTON INTERNATIONAL	✓	✓

Connells is the UK's largest high street estate agency and property services group with a c.10% market share in its estate agency arm. Across its 80+ brands and over 1,200+ branches nationwide, Connells combines residential sales and lettings with a range of consumer and corporate services including land and new homes, mortgage services, conveyancing, auctions, surveying and valuations, commercial property services, Energy Performance Certificate (EPC) provision and asset management. Connells is authorised and regulated by the Financial Conduct Authority (FCA) for activities relating to regulated mortgages and non-investment insurance contracts.

The Society is the UK's fourth largest building society, offering mortgages through our Homes business, and savings and financial advice through our Money business, with a national presence represented by a network of 82 branches. The Society is authorised by the Prudential Regulation Authority (PRA) and regulated by the FCA and the PRA.

SIL carries out mortgage lending in the Channel Islands and buy-to-let lending in the UK and accepts deposits in Guernsey from an international customer base. SIL is licensed under the Banking Supervision (Bailiwick of Guernsey) Law 2020, as amended and regulated by the Guernsey Financial Services Commission.

Other business lines

We have other smaller business interests that are not separately reportable, primarily concerned with income generation and enabling capability to support delivery of our collective Group purpose. These smaller businesses are combined within the 'Other' category in our financial reporting, together with the impact of Group consolidation adjustments.

- **SBF** provides invoice financing and bad debt protection to small and medium-sized enterprises, based at our Head Office in Skipton.
- **Jade** is based in New Zealand, specialising in digital and large IT enterprise solutions globally, and provides the Society's core database and software development language.

Together, we are stronger than the sum of our individual parts, and all our business lines play an integral part in delivering our purpose and making membership matter.

You can read more about how we segment our Group in Note 47 to the Accounts.

Our Group Business Model (continued)

Our Homes business within the Society provides loans to borrowers to purchase and own their home, whilst also supporting the private rental sector through the provision of buy-to-let mortgages to landlords. This is further strengthened through our mortgage lending by SIL in the Channel Islands.

Our Money business within the Society brings together a secure place for our members' savings with the provision of high-quality non-regulated free education and advice to our customers to support their long-term financial wellbeing. Combined with the additional provision of Regulated Advice, our offering sets us apart from our peers.

Connells, our property services group is focused on delivering for customers and clients throughout the process of buying, selling and renting homes. Connells' services include new homes, mortgage services and conveyancing. Connells also supports customers to have a home through its lettings business and is one of the largest providers of residential survey and valuation services in the UK.

To supplement our core activities, we also source funding from the wholesale markets, which diversifies our funding base and supports our long-term financial stability.

Our mutual status means we don't have shareholders or dividends to pay out. We are member-owned, and we have a responsibility to our members to remain financially sustainable, generating profit to invest back into our businesses for the future benefit of members. This means we reinvest our profits to support sustainable growth, to modernise and remain relevant with new capabilities and propositions, and to preserve a strong capital position, supporting and protecting our members, customers and creditors today and in the future.

The Skipton Group Business Model

Where the money comes from

- Savings deposits from members and customers
- Deposits from other banks, institutions and other financing e.g. covered bonds
- Retained earnings from previous profits and dividends from our Group businesses

What we do with it

- Lend on mortgages to customers, through brokers and direct to customers
- Lend working capital to finance small and medium-sized businesses through SBF

How we generate income

- Fees and commissions charged for regulated Financial Advice, mortgages, buying, selling and renting homes and other financial products
- The difference between the interest we receive from mortgages and assets, and the interest we pay on savings and deposits from other banks and institutions

Where we incur costs

- Paying and developing our colleagues
- Distribution costs, e.g. our branches, offices and broker procuration fees
- Unpaid debts and other impairment losses
- Taxes

What we use our profits for

- Enhancing experiences and driving additional value for members and customers
- Providing multi-channel support to our members, customers and brokers
- Investing in the future of our Group, ensuring we maintain capital strength
- Committed to donating 1% of PBT to charity, to do good for society

SKIPTON BUILDING SOCIETY | Connells group | SKIPTON INTERNATIONAL | Sbf. Skipton Business Finance | jade

Focusing on Ensuring Long-term Success

Economic and market background

2025 has continued to be shaped by global complexity, with ongoing geopolitical tension and climate-related challenges. In the UK, the new fiscal policies announced by the Labour government brought a period of adjustment as they begin to take effect, creating both uncertainty and opportunity.

Economic performance has been mixed. After modest recovery early in the year, growth slowed in the latter half, reflecting cautious business sentiment. Inflation peaked in September at 3.8% but is now trending downwards, while the Bank of England further reduced the base rate to 3.75%, supporting affordability for borrowers. Unemployment has begun to gradually increase and there are signs the labour market is loosening.

As we enter 2026, we anticipate a continued period of economic adjustment, with interest rates expected to remain stable and inflation falling towards target levels. While geopolitical and climate-related risks persist, we see opportunities in digital innovation, sustainable finance, and evolving customer needs.

The outlook for Skipton Group remains positive and robust, with strong capital and liquidity ratios, healthy and sustainable growth in both mortgage and savings balances, good underlying profitability, and a diversified business model.

Our focus will be on continuing our investment in technology to enhance member experience and supporting the UK housing market through responsible lending. We remain committed to delivering long-term value for our members and communities, guided by our mutual principles and a clear strategy for sustainable growth.

Decision-making

Achieving the right balance of risk and reward is essential to ensuring the long-term sustainability of the Group and enables us to deliver our strategy. Through the Board Risk Committee approved Risk Management Framework and governance structure, the Group has a formal mechanism for identifying and managing risks throughout the business, further details of which can be found in the Board Risk Committee Report.

The Group's Corporate Plan, which is approved by the Board, was developed in line with this framework.

The Board's approach to Policies and Practices

The Board is responsible for approving the Group strategy, managing risk, and overseeing its systems of internal control. The ongoing effectiveness of these controls is reviewed by the Board on a regular basis (see below).

The Society maintains a high standard of corporate governance for the benefit of its current and future members, and to conduct its business in a prudent and well organised manner. The Board's terms of reference clearly set out its responsibility for the overall stewardship of the Group in line with the Society's 'Principles of Governance', as set out in the Corporate Governance Report and available at skipton.co.uk/about-us/our-people/our-board.

Our strategic priorities are monitored and reported to the Board and senior management on an ongoing basis. This enables the Board's management of the business and its decision-making processes.

Respect for our environment and the communities in which we operate is also a key part (see Building a Sustainable Society section).

Strategic priorities

Our three key strategic priorities keep us focused on purposeful change:

- Helping People Have a Home - We will continue to strive to make home-ownership a reality for more people, with a keen focus on first-time buyers.
- Making Money Work Harder - We will invest more to ensure our members receive above-market average interest rates for their savings and have access to free financial advice to help them plan their financial futures.
- Making Membership Matter - Our members will see and feel the value of Skipton membership, being rewarded for their loyalty and tenure and having more of a voice in the running of their Society.

2026 is about building on our successes in 2025, delivering core capabilities for our members and customers and further enhancing our membership proposition, giving back even more value when and where it matters.

Helping People Have a Home

Our ambition is to champion first-time buyers and be a leading contributor to the debate on affordable housing in the UK. To guide our provision of enhanced and innovative products and propositions, our Homes business has three strategic priorities:

- **Helping people have a home**

  We will support more first-time buyers to take their first steps onto the property ladder

- **Creating outstanding experiences**

  We will empower our customers and brokers to engage in their channel of choice

- **Championing the intermediary market**

  We will advocate for brokers and maintain mutually beneficial relationships

Helping people have a home

The UK affordability crisis has worsened, with only 10% of renters aged 20-44 able to buy, dropping to 3% for single occupants (Source: Home Builders Federation report). This is supported by our Skipton Group Home Affordability Index which shows 49 out of 50 adults living with parents in the UK are unable to afford a first-time buyer home in their local area.

Through continuing to innovate, we have helped over 26,000 first-time buyers out of this challenge. We enhanced our Track Record Mortgage (first-time buyer, no deposit required product) and more than doubled Track Record lending year-on-year since it launched in 2023. In addition, our Delayed Start Mortgage (first-time buyer and no repayments due for the first three months, to help with the costs of moving into a new home), helped a further 670 first-time buyers since it launched earlier this year.

Leaning into the affordability challenge further, we enhanced our affordability policy including loan-to-income limits. Through collaborating with Phil Spencer in the "First Home Focus" series, we provided clear, practical guidance to first-time buyers, helping them take confident steps towards home ownership.

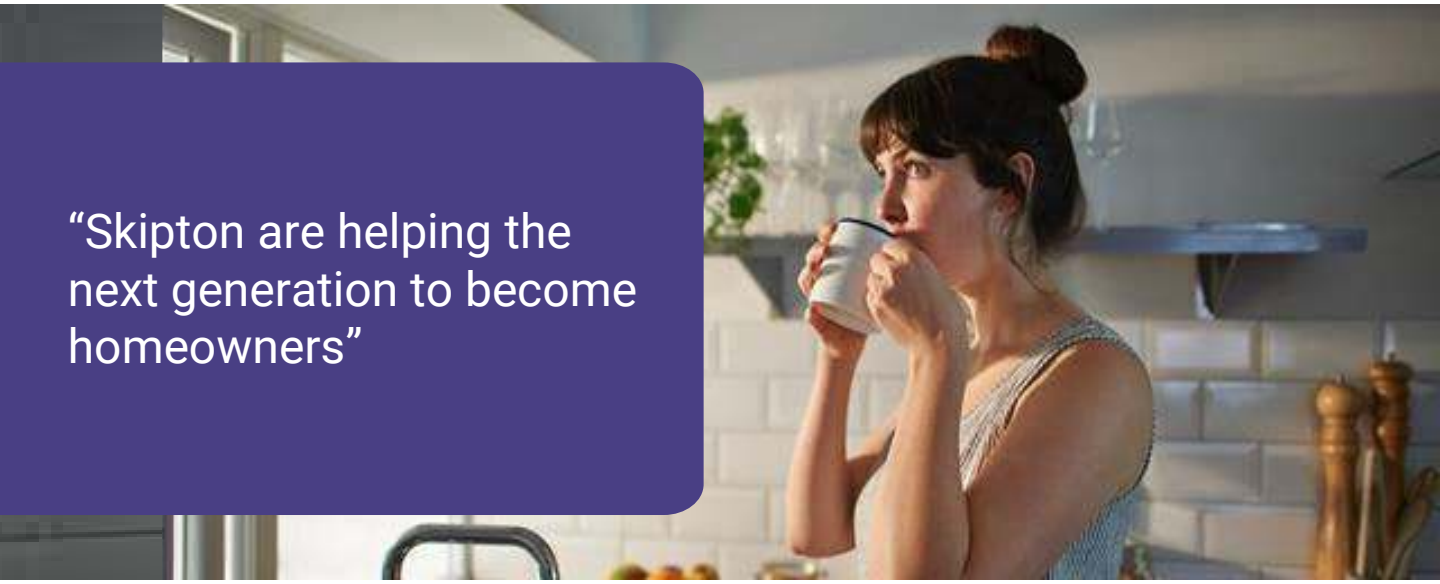
50% New lending to first-time buyers

(2024: 44%)

Our commitment to championing first-time buyers was further acknowledged by the Treasury Select Committee in a hearing we attended in September. We will continue to engage with policymakers, providing evidence-based recommendations to help shape solutions for aspiring homeowners.

The measures designed to improve market accessibility in the governments Autumn Budget, notably the permanent introduction of the 95% mortgage guarantee, aligns with our commitment to support aspiring homeowners as we continue to address the affordability crisis in 2026. However, we remain mindful of the ongoing challenges for first-time buyers, including punitive stamp duty and the frozen Lifetime ISA limits which may constrain deposit-saving ability.

Helping People Have a Home (continued)



"Skipton are helping the next generation to become homeowners"

In 2026, we will further seek to address the affordability challenge by evolving our first-time buyer products and propositions, partnering with industry experts and pioneering new solutions.

Beyond first-time buyers, we continue to support home-movers and re-mortgagers with affordable solutions across our portfolio.

We will give them confidence in taking the next step when their current deal comes to an end, equipping them with the knowledge and information they need to navigate the process seamlessly.

Creating outstanding experiences

Through 2025, we have focused on truly understanding our members needs, improving their experience by reviewing our processes, upskilling our colleagues and streamlining our journeys so we deliver what matters most to them. This includes piloting a new process, unlocking the ability to perform desktop valuations on new build properties - reducing the time to offer to just 4 days on almost one quarter of cases since launching in August.

In 2026, we will continue to empower colleagues to deliver even greater value through tailored learning and development and broadening roles, providing colleagues with greater accountability so they can own the full member journey.

As a modern mutual, we have also continued our work migrating data to the Cloud Microsoft Azure Platform. This year, our decisioning system was migrated to the Cloud, enhancing the speed and accuracy of our mortgage decision making.

Our Affordability Calculator, Online Decision in Principle, and Webchat were also migrated, creating the ability to enhance these tools further.

In the first three months of the year, we worked to ensure every customer could complete their home purchase ahead of the stamp duty deadline. By prioritising speed and care, we made sure no one was left behind, supporting almost £1.0bn of completions in March.

92% Net Homes customer satisfaction

(2024: 91%)

Championing the intermediary market

Through our commitment to the intermediary market, we are proud to consistently maintain excellent broker feedback and satisfaction scores, reinforcing our position as an intermediary-led lender.

In 2025, we continued to invest in technology to optimise broker journeys, making it easier for brokers to interact with us. Brokers can now sign on behalf of their customers when switching products, speeding up application times. We also strengthened relationships with distributors and firms and collaborated with brokers to improve our offering.

91% Net broker satisfaction

(2024: 89%)

Our ambition is to be the go-to lender for first-time buyer insight. Our "Skip-to" marketing campaign

Helping People Have a Home (continued)

increased broker awareness of Skipton's first-time buyer offerings, ranking Skipton sixth in broker awareness. Our innovation continued to challenge the status quo, growing broker advocacy and earning recognition by winning Best Intermediary Lender at the What Mortgage Awards for the fifth consecutive year.

In 2026 we will build on this momentum, reducing the time to offer on applications, making it easier to do business with us.

SIL

Our lending spans into the Channel Islands, with SIL (our Channel Islands bank) offering a UK mortgage proposition specifically for buy-to-let investors residing overseas.

Throughout 2025, SIL has focused on delivering improved customer journeys, providing simplicity and speed that result in a better experience for customers and colleagues alike.

Mortgage lending performance

Our unwavering focus on first-time buyers, borrowers and brokers within the Homes business has led to another successful year of performance. In addition to the Society achieving a £30bn mortgage balance milestone, the Homes business has been recognised as the sixth largest lender for first-time buyers by eBenchmarkers.

Our Group mortgage portfolio grew by 7.9% (2024: 8.2%) whilst maintaining our prudent credit risk appetite. The Group has increased its market share of balances to 1.91% (2024: 1.81%) (Source: Bank of England Statistics).

The Group's UK residential mortgages in arrears by three months or more remained low, representing only 0.30% of mortgage accounts (2024: 0.29%) which compares to the industry average of 0.78% (Source: UK Finance - residential mortgages in arrears by more than three months).

7.9% Group mortgage portfolio growth

(2024: 8.2%)

Skipton Group will continue to innovate, facing into market challenges and delivering more value back to our members, customers and brokers. We remain dedicated to leading the way on driving purposeful change, leveraging our collective Group voice and unique insights to stand up for members and wider society.

Home buying and selling performance

The UK housing market started strongly in the first half of 2025, with exchanges up 19% on the same period in 2024 ahead of the Stamp Duty changes in March and the easing of base rate pressures on affordability.

In the second half of the year, activity was subdued by comparison, with the Autumn Budget uncertainty surrounding property reform impacting supply and demand. Despite market volatility throughout the year, Connells delivered good performance and reinforced its leadership position through strategic growth and innovation.

Our mortgage services proposition continued to provide whole-of-market advice and mortgage lending, generating £33.3bn of lending (2024: £31.7bn) across UK providers. Our lettings business that manages properties on behalf of landlords also grew, with properties under management increasing

Helping People Have a Home (continued)

by over 1,800 to 128,396 (2024: 126,590), driving additional income for the group. Our average tenancy length increased to 36 months with 73% of properties re-let by Connells at the end of their tenancy (December 2024: 79%). Rental properties in arrears increased slightly in 2025, to 6.1% (December 2024: 5.0%).

128,396 Properties under management

(2024: 126,590)

With the Renter's Rights Bill becoming law, we are well placed to support landlords and tenants with the changes coming into effect in 2026 which will fundamentally reshape the private rental market towards a more tenant favourable environment.

Through our Connells estate agency network, we continue to support around one in ten home movers across the UK. We have strengthened our position through targeted acquisitions in the first six months of the year, creating network expansion, and now reaching 88% of UK postcodes.

This includes the addition of Aspire Estate Agents Ltd, bringing six new branches to our 1,200+ strong network and 745 managed properties into Connells, supplying more customers with our property services propositions.

55 Average number of properties for sale per branch

(2024: 54)

This year, we built and launched Karri, our new mortgage services brand, that provides a user interface designed to help more customers secure the right lending solutions and the right advice for their homes. In early 2026, we will roll out our brand to connect online property to customers, with our service being available in over 1,000 UK locations. This forms part of our ongoing commitment to digitising the home buying and selling journey.

Our commitment to service excellence was recognised with the Platinum Fee Service Award from Feefo, building on our Gold status in 2024 and maintaining a market-leading score of 4.8/5.0 (2024: 4.8/5.0). Connells was also named among the Sunday Times Top 26 'Best Very Big Places to Work'.

4.8 Feefo review score (out of 5.0)

(2024: 4.8/5)

Innovating home buying and selling

The breadth of Connells' businesses provides us with unique insights into some of the challenges that have hindered the UK home buying and selling process in recent years.

Our collaboration with Legal Marketing Services (LMS) (the UK's leading provider of conveyancing platform services, of which Connells is a 50% shareholder), has provided an opportunity to rapidly test and evaluate new solutions that can overcome challenges to deliver a faster, more seamless and less stressful experience for all parties involved.

Following the success of our proof of funds pilot in 2024, and the roll out of National Property Transaction Network (NPTN), we are further trialling solutions that bring property information to the start of the process, before the property is listed for sale. This leverages trusted data that removes duplication and speeds up overall process time.

In November, we also launched a new pilot with the Society, to send valuation queries directly to the valuer, aiming to reduce the response times for valuation-related enquiries. By collaborating across the Skipton Group, we can rapidly test specific solutions that solve the pain points for our customers within the end-to-end journey.

As we move into 2026, the clarity in the Autumn Budget provides a stable environment for continued demand across the housing eco-system and further innovation as we leverage the strength of our group to serve even more customers.

Making Money Work Harder

We remain committed to supporting financial wellbeing, providing guidance and advice to more members with propositions that make our members money work harder. We recognise that we need to continue to evolve member experiences, delivering meaningful value to help them meet a broader range of lifetime financial goals.

Our three strategic priorities within our Money business will help us achieve this:

- **Providing advice for everyone**

  We will offer more accessible advice to our members to make more from their money

- **Offering high quality products and services**

  We will grow our members and customers, helping more people with their money

- **Making every interaction count**

  We will increase our digital journey options to give members and customers more choice

Providing advice for everyone

Many people in the UK are not getting the help they need to make their money work harder and support them across key life events. This is contributing to an Advice Gap and a Transfer of Wealth challenge.

The UK is entering a new period of wealth transfers, with an estimated £5-7trn expected to transfer from older to younger generations over the next 20-30 years (source: Heligan Wealth Management Report).

In 2024 we took a deliberate step towards bridging the Advice Gap by introducing free advice to members, regardless of the amount they had available to invest, through our 'My Money Review' and 'My Money Enquiry' services. Available through branch and telephony channels, the uptake of this free member benefit in 2025 has exceeded our expectations, demonstrating a clear member need to talk about financial wellbeing.

Having anticipated the need for advice, we will scale our propositions to support even more members and their families with the help that they need, regardless of background, income or circumstance, supporting the FCA's Targeted Support and Financial Inclusion policies further.

For those with more advanced or complex needs, Skipton are proud to be the only Building Society to offer a direct Regulated Advice proposition. In October, we continued to refine the Regulated Advice experience, launching our 'Advisor First Appointment' tool, which has already created smoother, more intuitive first interactions for 775 customers.

Throughout 2025, we have supported 5,836 customers with our Regulated Advice (2024: 5,385).

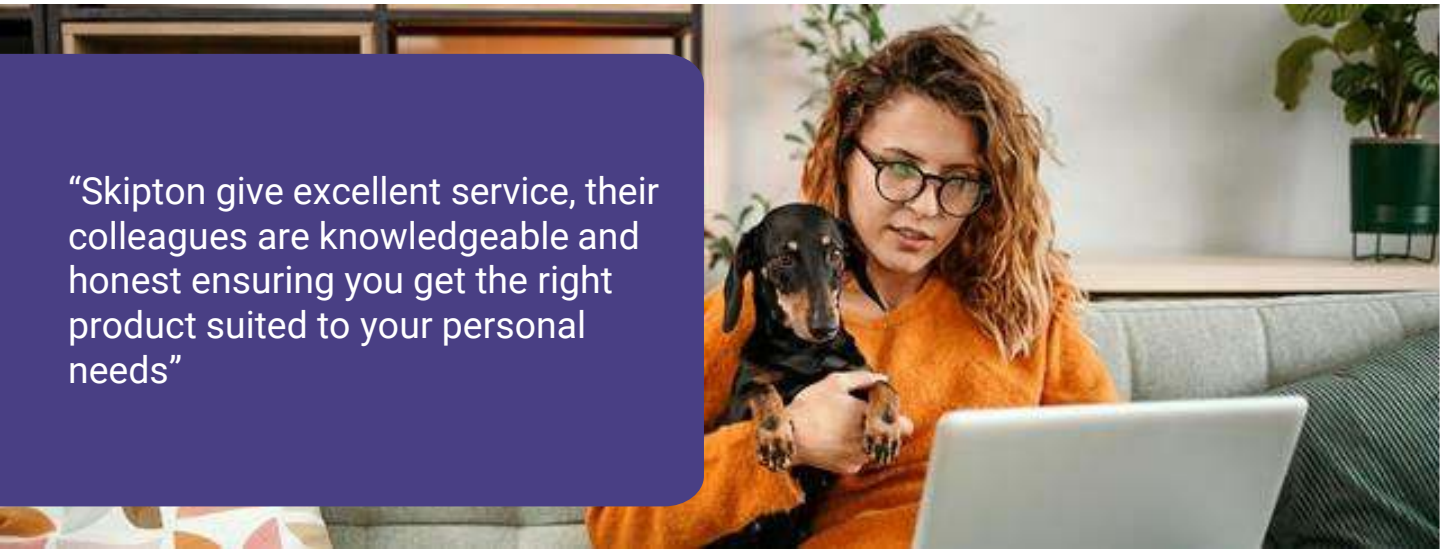
£5.3bn Funds under management

(2024 £4.7bn)

Offering high quality products and services

With the base rate reducing during 2025, we remain committed to paying competitive savings rates and enhancing our offering with member exclusive products.

Making Money Work Harder (continued)



"Skipton give excellent service, their colleagues are knowledgeable and honest ensuring you get the right product suited to your personal needs"

By December, our minimum variable savings rate was 2.05% AER (2024: 2.80% AER).

Members benefitted from a choice of two exclusive products (ISA and non-ISA easy access products) alongside our fixed range. As a thank you to members for continuing to trust us with their savings, we also provided a £50 retail voucher to reward their loyalty during ISA season.

Our proposition was further strengthened with the launch of our 'Save More' member bond, and new member regular saver accounts. In 2025, over 90,000 members took out an exclusive rate savings account.

To complement our savings offering and the UK Government's desire to support more consumers with investments, we introduced a free advice Stocks & Shares ISA - exclusive to our members and designed to help savers make informed decisions between cash savings and investments.

Following the Governments Autumn Budget which announced changes to the Cash ISA limit for under 65's, we are ready to support members with our advice propositions to help more people navigate the investment landscape.

Amongst the advice we provide, we are here to help people save for their pension and help them understand when the right time to retire is.

In 2025, our Money business delivered 7.8% growth in our savings book and maintained our high net customer satisfaction of 90% from 2024, reinforcing the quality of service we strive to provide.

1,041k Number of savers and investors

(2024: 1,004k)

Making every interaction count

We are innovating our technology, making improvements across all channels (digital, telephony and in-branch), to continue to deliver against our ambition of enabling 'any channel' experiences so that members can interact with us however they prefer. This year, we unlocked 'any channel' service for 47% of savings journeys (December 2024: 24%).

90% Net Money customer satisfaction

(2024: 90%)

We have deployed an upgraded member portal, and a Customer Engagement Platform which are designed to make it easier for members and colleagues to manage accounts and connect with each other whenever required.

Following the transfer of borrowers to our new app this year, we will scale this to our Money members and customers in 2026. By listening to member feedback, we will continue to build increased functionality to allow our members to interact digitally, whilst protecting them in an ever-changing digital world.

Making Money Work Harder (continued)

This year, we tested a new telephony analytics tool which enabled our colleagues to better understand what matters most to members. Having seen the positive impact it can make, we will introduce this across all telephony services in 2026.

We continue to hold the Consumer Duty principles at the heart of our business practice, ensuring good outcomes for all customers. Supporting vulnerable members remains a priority, tailoring our services to ensure that they remain accessible to meet individual needs.

SIL

SIL provides offshore savings solutions, offering Sterling and US Dollar accounts, fixed rate bonds and easy access products. Savings balances remained resilient at £2.4bn (2024: £2.4bn) despite not actively pursuing growth during this period.

Our commitment to customers in the Channel Islands is consistently recognised through award-winning service and 'excellent' Feefo rating. Feefo, the gold standard in customer reviews, requires a minimum score of 4.5/5.0.

4.6 Feefo review score (out of 5.0)

(2024: 4.7/5.0)

SIL are proud to be a five-time Feefo Platinum Trusted Service Provider, following eight consecutive years of Gold accreditation. In 2026 we will refocus on growth and explore opportunities to broaden our reach to more customers.

Savings performance

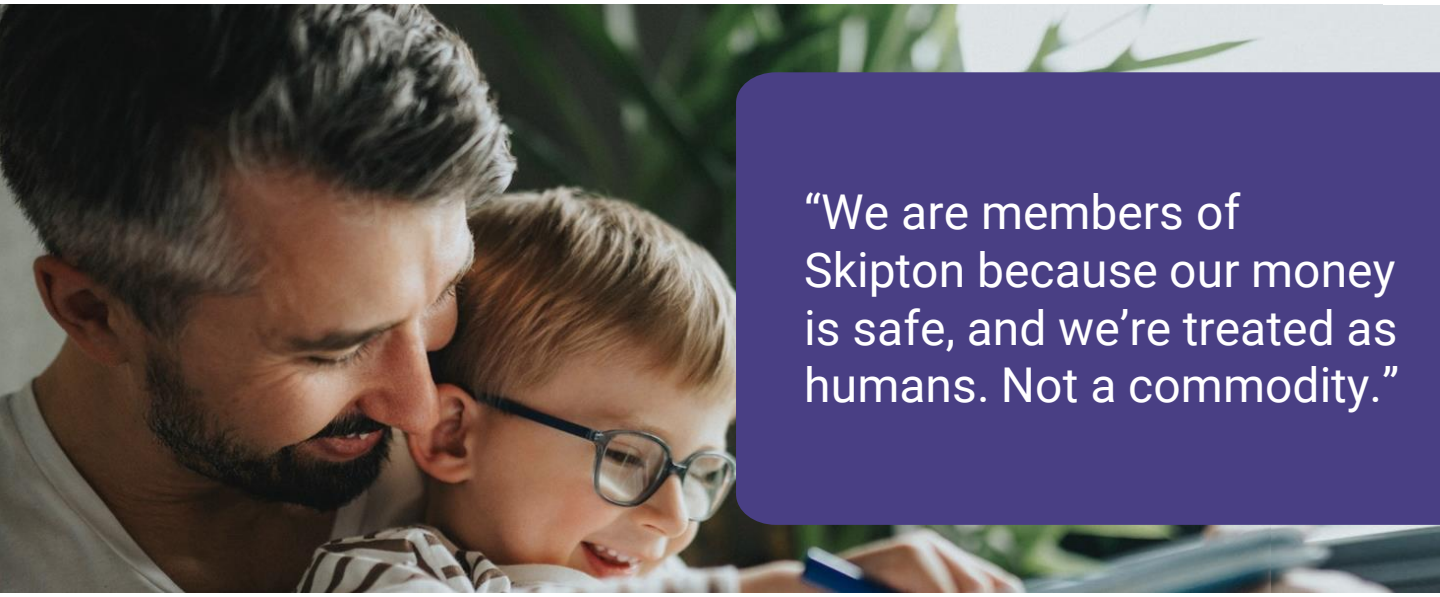
Our savings propositions delivered another year of growth, driven by excellent retention and balance increases.

For the Society, the Money business' competitive savings rates and excellent service increased total balances by 7.8% (2024: 8.9%) to £30.5bn (2024: £28.3bn), doubling our savings book since 2017 and outperforming the UK savings market where net savings grew by only 4.4% (2024: 5.1%) (Source: Bank of England Statistics).

The Money business also achieved record ISA transfer activity, contributing to 19.8% ISA growth throughout the year. Our Regulated Advice balances also grew, surpassing £5bn Funds Under Management, reflecting the accessibility of our propositions and the strong consumer desire for the provision of savings and advice.

As the UK's first provider of the cash Lifetime ISA (LISA), we hold balances of £1.1bn (2024: £1.2bn) for customers who are saving for their first home or planning for retirement. These customers benefited from government bonuses of £45.1m (2024: £56.2m).

We will continue to test new propositions with our members in 2026, acting on their feedback to ensure the products, propositions and services we design address their needs. Skipton will continue to support members and customers, as together we face into the Advice Gap and Wealth Transfer challenge.



"We are members of Skipton because our money is safe, and we're treated as humans. Not a commodity."

Making Membership Matter

Membership sits at the heart of our Group and underpins everything we do. We remain committed to Making Membership Matter.

Skipton will Make Membership Matter more through three membership strategic priorities:

- **Creating value exchange**
  We will give members exclusive benefits, encouraging deeper engagement and loyalty
- **Encouraging meaningful participation**
  We will give members opportunities to participate, listen and collaborate
- **Supporting communities**
  We will support our wider society, making a real difference in our local communities

We will measure the success of these priorities through our "Member Sentiment Score", which gives us direct member insight on how we are delivering value, supporting communities and giving members a say in how our Society operates.

47.0% Society member sentiment score

(2024: 46.6%)

We have brought the Society brand to life for our current and future members, reflecting our mutual roots as being Founded on Fairness. Communicating fairness across a multi-channel campaign increased our brand consideration to 26.5% (against a target of 20%).

Society membership continued to grow through the year, increasing by 4% and taking our total membership base to 1,317,047 (2024: 1,266,608).

Creating value exchange

We have continued to provide exclusive member products and services, including 'always on' savings products. We also reserved our best rates for our members, recognising and rewarding their loyalty.

On average, we paid 0.68% higher interest (2024: 0.74%) than the market average for banks and building societies (Source: CACI Current Account & Savings Database, Stock, 12-month December 2024 - November 2025).

0.68% Above market average savings rate

(2024: 0.74%)

Our colleagues are empowered to recognise moments that matter to members, offering gestures of goodwill and acts of kindness to surprise and delight members. Over 2,000 of our members received gifts from our colleagues to mark special occasions or times of need, reinforcing our commitment to making membership matter.

For first-time buyer members, we recognised them getting the keys to their home by gifting over 20,377 Home Mover Boxes, containing essential household items.

For borrowers, we also launched a member mortgage range, recognising their loyalty through providing £250 cashback on their new member mortgage product. Our Home Insurance proposition in partnership with Uinsure, delivered cheaper premiums to c.95% of existing home insurance customers, to ensure their homes are protected.

In partnership with Vibrant Energy (a Group company) we continued to offer a free EPC Plus report to 1,577 members (December 2024: 1,591), providing recommendations for energy efficient improvements to their homes.

+20k Gestures of goodwill

(2024: +10k)

Making Membership Matter (continued)

Encouraging meaningful participation

In 2025, we are proud that 60,647 members exercised their voting rights in the AGM, shaping the way our Society is run and governed. This also gave members the opportunity to select our charity partner. Our members voted to partner with Refuge, helping the organisation continue its vital work of empowering survivors to regain control of their finances and build confidence in managing their money after abuse.

We recognise the importance of our members' voices and continue to encourage participation through a range of forums, including our member panel and digital collaboration platform. This has helped us better understand topics such as longer-term mortgage products, life insurance, online security and the 'Great Wealth Transfer'.

Throughout the year, we have recruited new members to our panel, continuing to expand representation to include first-time buyers, to ensure a diverse range of perspectives inform our decisions, products, services and communications.

21.8k Members on our Customer Panel

(2024: 23.5k)

Supporting communities

Supporting wider society and making a real difference in local communities remains a core priority. Colleague volunteering continues to play a vital role, with every Society colleague able to dedicate up to three days annually to the causes that matter most to them.

Skipton Group remains committed to donating 1% of its PBT to charity each year. As part of this, in 2025 we allocated £164,000 across 82 branches to support 246 local charities, empowering branches to choose the causes most important to their local members and communities.

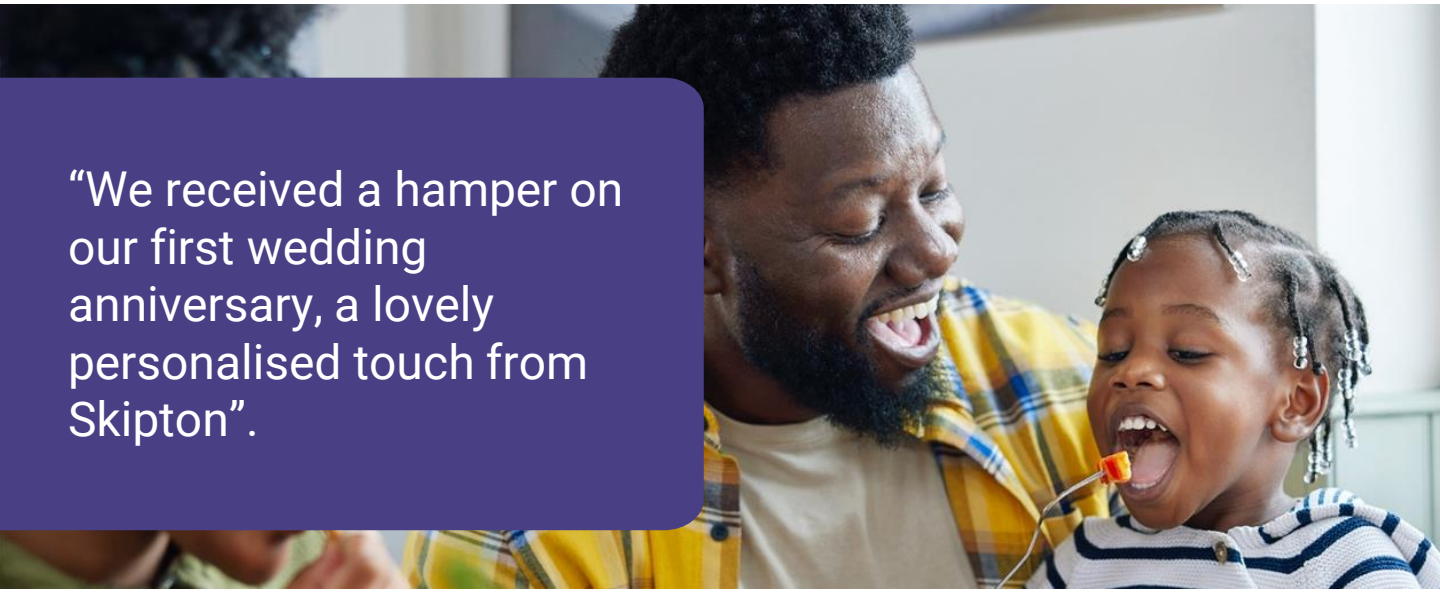
£3.1m Donated to good causes

(2024: £3.3m)

We remain committed to our branch network, investing in their refurbishment for our members and broader society to utilise the space. Each branch has been issued with toolkits to support the events they hold and their broader community outreach.

Our branches have facilitated help and support to their communities alongside our 2024 charity partners Age UK and National Energy Action, most recently rolling out a Winter Warmer campaign.

Looking ahead, our focus remains on raising awareness of the value of membership, ensuring more members enjoy its benefits. We will continue to deliver more value through exclusive rates and products, as well as create bespoke member offerings for both new and existing members.



"We received a hamper on our first wedding anniversary, a lovely personalised touch from Skipton".

Colleagues Enable our Strategy

We remain committed to fostering a culture across our Group that enables colleagues to realise their potential, deliver meaningful impact for our members and customers, and feel a genuine sense of belonging.

Our approach is underpinned by Society colleague behaviours that define how we work:

We are accountable

We actively own our roles, commitments, decisions and work

We are brave

We draw on our courage to do the right thing when it feels uncomfortable

We are collaborative

We use our unique talents and diverse backgrounds to reach the best outcome

We are curious

We bring questions, critical thinking and understanding to make things better

Investing in our Group colleagues

We have continued to invest in our Group colleagues, developing their knowledge, skills and capability so they can continually grow at work.

This year, the Society, SBF and SIL provided new learning tools designed to strengthen development and unlock growth. 77% of SIL colleagues have become active users of their 'Thrive' learning tools, while 285 Society colleagues utilised 'Cognassist', a digital platform designed to help colleagues identify learning needs and gain access to personalised insights.

Across Connells, we delivered over 2,100 training and development classes, while the Society held upskilling events on key topics throughout the year. Our AI event, co-facilitated by Microsoft and industry experts, demystified the use of AI and empowered 485 colleagues to utilise our AI tool in a safe and sustainable way.

Contributing to our Group culture of enabling colleagues to realise potential and feel like they belong, the Society piloted 'Stepping Up', a development programme to build confidence, visibility and career progression. This delivered significant improvements, increasing colleague self-advocacy and career progression.

Our investment in learning and growth extends to the development of the next generation of colleagues, welcoming local students on six-month supported work placements, collaborating with Right2Work to increase confidence, independence, and practical experience for young people in our community.

Rewarding our colleagues fairly for their great work is central to our Group ethos, so SIL launched a new internal recognition programme to celebrate colleagues that went the extra mile, while the Society made our approach to pay more visible and accessible for colleagues.

To support our digital transformation activity, we have strengthened our Group Technology, Transformation and Resilience teams, including the creation of a new Enterprise Architecture function who specialise in aligning technology, processes, and strategy to make our operations more efficient. Further, recruitment of senior Technology and AI roles is underway at Jade to strengthen our engineering capability.

We will continue to develop Group-wide colleague initiatives, leveraging collaboration to unlock further growth opportunities so our people can continue to thrive at Skipton.

Championing Diversity, Equity and Inclusion (DEI)

Our Group's purpose is built on fairness, belonging and opportunity for all. At Skipton, we know that diverse perspectives and inclusive practices strengthen our ability to serve members and communities. We are committed to creating an environment where every colleague feels valued, respected and empowered to contribute their best. Across the Society we have 43 accredited Diversity Allies – with even more across the Group - championing inclusivity and fostering a culture of respect and understanding.

Through dedicated events, we brought our colleagues together to spotlight inclusion, with a dedicated month in June, and a fortnight in October. This year we have delivered over 20 sessions to colleagues on all areas of inclusion and wellbeing. The sessions upskilled colleagues on a range of diverse perspectives and provided them with practical tools to support wellbeing.

Our Employee Resource Groups (ERG's) remain a cornerstone to our Group, providing colleagues with a platform to connect, share experiences and influence positive change.

Each of our Society ERGs donated £5,000 to a charity of their choice, with the Gender Equity ERG donating to PANDAS Foundation (Pre and Postnatal Depression Advice and Support) and the Pride Alliance ERG donating to Switchboard LGBT+.

Colleagues Enable our Strategy (continued)

Co-ordinated by the Armed Forces Employee Resource Group, we marked Armistice Day with a special service at our Society Head Office, honouring the courage, sacrifice, and service of the Armed Forces.

Through their donations, our ERGs have helped make a meaningful impact beyond our organisation.

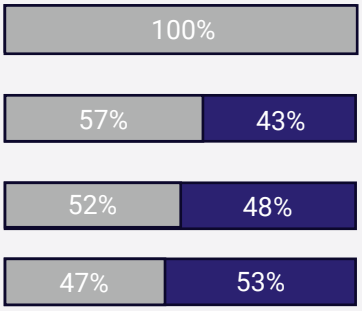
In addition to charitable giving, our ERG's have been pivotal to progressing our Group DEI ambitions with the Society's Armed Forces ERG leading the way in securing Skipton's first Gold Accreditation under the Armed Forces Covenant, (elevating from our Silver status achieved last year), while Connells elevated from Bronze to Silver status. This highlights our Group commitment to supporting those who serve(d) and their families.

The Group has maintained a range of partnerships to help inform our inclusive practices. Support gained from Business Disability Forum contributed to the Society maintaining our 'Disability Confident' status and our partners at Inclusive Employers collaborated to upskill 204 colleagues on the importance of becoming Active Bystanders. Connells partnered with AccessAble to enhance physical accessibility practices and broaden colleague understanding of disabilities.

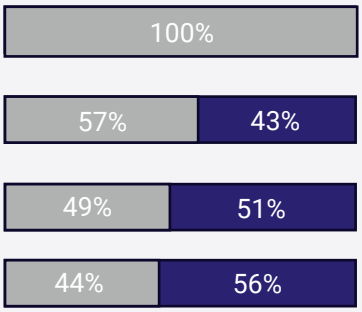
In 2024, we were proud to achieve gender parity in senior roles at the Society (determined by the HM Treasury Women In Finance Charter), and for 2025 we maintained that position – see here: Women in finance for further details. Our partnership with WISE (Women in Science and Engineering) will support how we continue to embed gender parity across the Society and broader Group.

In 2026, our Inclusion and Wellbeing strategy will continue work on strengthening accessibility and inclusion throughout our recruitment practices, utilising expertise from our variety of partners.

Skipton Group



The Society



^ Gender voluntarily declared by colleagues
1. Society Board Directors only
2. Comprises the Society's senior leaders (other than Executive Directors) and Executive Directors of other Group businesses

Building a Sustainable Society

Our approach to sustainability

As a member-owned business, we have a responsibility to act in the long-term interests of our members, colleagues and communities. Our mutual status means we are member-owned, and we have a responsibility to our members to remain financially sustainable, generating profit to invest back into our businesses for the future benefit of members and to support sustainable growth.

Our strategy for driving positive change is shaped by our purpose and reflects the environmental and social challenges facing the UK today. We focus on the areas where we can support our members and communities most effectively, including supporting people to improve the energy efficiency of their homes, promoting long-term financial wellbeing and contributing to resilient, thriving communities. We continue to align our work with recognised sustainability themes, including the United Nations (UN) Sustainable Development Goals and our banking businesses, the Society and SIL, are signatories to the UN Principles for Responsible Banking.

Our separate 2025 Group Sustainability Report provides further detail on our commitments, performance and progress throughout the year.

Supporting the transition to more energy-efficient homes and buildings

Rising energy costs and the UK's ageing, poorly insulated housing stock continue to place pressure on households, hitting those on the lowest incomes the hardest. Helping our members understand the benefits of more energy-efficient homes and the options available to them remains an important part of our sustainability ambitions.

In 2025, we completed our Big Retrofit project, retrofitting a Society-owned property in Skipton to understand first-hand the costs, barriers and benefits associated with home energy improvements. The project produced valuable insights which we shared publicly through two reports, which included policy recommendations for Government. These learnings will help inform our member engagement, proposition development and wider influencing activity. Further information about the Big Retrofit project is available on our website.

The Society continue to be members of the Sustainable Business Consortium and the Wates Innovation Project, joining other financial services organisations in exploring green technologies that could support the transition to more energy-efficient buildings. This participation helps us explore practical opportunities to reduce the environmental impact of our operations and improve the energy efficiency of our premises.

Supporting our members, customers and communities

We remain focused on helping members move forward in life, whether through home ownership, financial resilience or transitioning to lower-carbon living. We continue to pledge 1% of our annual Group profit before tax to charitable causes aligned with our purpose.

Our three strategic charity partners and the programmes we supported for 2025 are:

- National Energy Action (NEA)
- Age UK
- Refuge

Building a Sustainable Society (continued)

National Energy Action: Community Retrofit Hubs

supporting local awareness of home energy efficiency and retrofit options.

Age UK: A Place to Call Home

helping older people to live well and independently in safe, secure and warm homes.

Refuge: Towards Financial Freedom

supporting survivors to regain financial security and independence as they rebuild their lives free from abuse.

Further details of our partnerships and the programmes we supported during the year can be found in our standalone Group Sustainability Report.

Responsible supply chain

The Society continues to work in partnership and closely monitors relationships with key suppliers. On an ongoing basis we assess any risk of adverse impact, on our customers, colleagues or the environment, as a result of these relationships. Our suppliers are requested to agree with the Society's Code of Conduct as part of our onboarding process. This includes commitment to being a responsible and sustainable business, as well as supporting our business ethics and complying with the Modern Slavery Act 2015.

Suppliers' service-delivery is tracked against key performance indicators to ensure the service provided is of an acceptable standard and the Society is working with EcoVadis, a sustainability ratings provider, to assess the sustainability standards within our supply chain. In 2025, we assessed 50% of the Society's critical ("material") suppliers on their net zero and energy reduction strategies.

The approach will be widened to include Connells next year, enabling a comprehensive analysis to inform our approach to reducing supply chain emissions.

We appreciate that this will require supplier participation and there is a risk that some suppliers may not participate. The data we collect from this may, therefore, be limited.

Being Accountable

The Group is committed to a zero-tolerance approach to instances of bribery or corruption across any area of our business. We have anti-corruption and anti-bribery policies in place in each business line, which are readily available. The policies provide guidance about what constitutes a bribe and prohibits the offering, giving, solicitation or the acceptance of any bribe to or from any person or company, by any individual colleague, agent or other person or body acting on behalf of the Skipton Group. In addition, our colleagues and employees are required to complete annual training to refresh their knowledge.

The Society's Board fully supports the objectives of the Modern Slavery Act 2015, further details of which can be found at skipton.co.uk/about-us/governance. We have a position of zero tolerance of modern slavery and human trafficking in any form in our UK business and supply chains. Suppliers to our UK-based business lines must comply with the Modern Slavery Act 2015, where applicable, and ensure their supply chain is transparent about the process through which employees are managed.

The Group also has regard to the above matters as part of our risk assessment processes; a full description of our principal risks and how we manage these is found in the Risk Review.

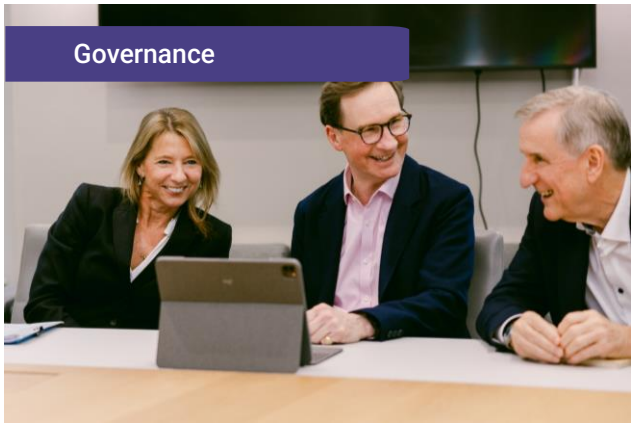
To read more on how we keep ourselves accountable and for details of our corporate governance, please see the Corporate Governance Report.

Climate-related Disclosure Summary

Climate-related risks continue to shape the environment in which financial services organisations operate and are becoming an increasingly important consideration for the sector. For the Group, understanding how climate-related factors may affect our members, our operations and our business remains an essential part of how we navigate this changing landscape.

During 2025, we continued to build our understanding of these risks and opportunities and the implications they may have for the Group and the markets in which we operate. This work also helped us understand how we can play our role in supporting the wider transition to a lower-carbon economy in a way that reflects the needs and circumstances of our members.

Over the following pages, we present our summarised climate-related financial disclosures aligned to the four pillars of the Taskforce on Climate-related Financial Disclosures (TCFD) framework, the structure adopted by the International Sustainability Standards Board (ISSB) and the proposed UK Sustainability Reporting Standards (UK SRS):



Governance across the Skipton Group around climate-related risks and opportunities.

Impacts of climate-related risks and opportunities on Skipton Group strategy and financial planning

How Skipton Group identifies, assesses, and manages climate-related risks.

How Skipton Group assesses and manages climate-related risks and opportunities

Further details on how we manage climate-related risk, and our 2025 performance can be found in the Group Climate-related Disclosures published on our website.

Climate-related Disclosure Summary (continued)

Governance

Board oversight of climate-related risks and opportunities

The Society's Board has ultimate responsibility for oversight of climate-related risks and opportunities across the Group. The Board Risk Committee supports the Board in this role, receiving regular updates and reviewing key climate-related information during the year.

Board Risk Committee (BRC)

The BRC has received a range of climate-related information to support its oversight responsibilities, including:

- Updates on climate-related credit risk management information
- An update on the Climate-related credit risk appetite limits
- An update on the Society's gap analysis in relation to a PRA climate-related risk consultation paper
- A review of the Board's climate risk appetite statement for the Society

The Board Remuneration Committee

Climate-related performance is linked to remuneration through the Society's new Group Long-term Incentive Plan (LTIP), which includes an ESG measure aligned to our strategic priorities. The LTIP applies to the Society's Executive Directors and other selected Group Executive Committee members. For further details, please refer to the Directors' Remuneration Report.

The Board Audit Committee (BAC)

The BAC is responsible for reviewing and approving external sustainability reporting, including the Group's annual Climate-related Financial Disclosures.

Board and Executive training

In 2025, specialist training on climate-related risks and opportunities was delivered for all Board members and the Group Executive Committee. The training, led by external specialists, focused on sector developments, regulatory expectations and emerging risk themes, supporting effective oversight and decision-making.

Executive and management oversight

The Group Executive Committee and the boards of subsidiary firms are responsible for the management of the financial and operational risks arising from climate change and the strategy to mitigate these risks.

Within the Society, climate-related financial risks are overseen through two key Executive committees:

- **Executive Risk Committee (ERC):** responsible for overseeing climate-related scenario analysis and the integration of climate considerations into the Society's risk management framework.
- **Group Sustainability Committee:** responsible for overseeing other climate-related risk activity and wider sustainability matters. This committee provides a centralised view of the sustainability and climate risk initiatives and how they connect and align with the Group's strategic opportunities.

Responsibility for the identification and management of financial risks from climate change is held by the Group Chief Financial Officer as the designated Senior Management Function in line with the Prudential Regulation Authority's (PRA) updated expectations set out in Supervisory Statement 5/25 on 'Enhancing banks' and insurers' approaches to managing climate-related risks'.

The Climate Change Risk Forum supports Executive committees by coordinating activity relating to the identification and monitoring of climate-related risks across the Group.

The Stress Testing Steering Committee, reporting into the ERC, continued to support the development and reviews of climate-related stress tests and scenarios analysis during the year.

Subsidiary governance

Subsidiary boards are responsible for managing climate-related risks relevant to their businesses.

- At Connells, management of risks from climate change is allocated to Connells' Chief Lender Services Officer. Oversight is provided through Connells' Audit & Risk Committee, which reports directly to the Connells board.
- For the other Group subsidiaries, management responsibility sits with the respective CEOs and boards.

Climate-related Disclosure Summary (continued)

Strategy

Understanding our climate-related risks and opportunities

Climate change continues to influence how the Group delivers its purpose. As the UK transitions to a lower-carbon economy, we recognise both the risks climate change presents to our business model and the opportunities it creates to support our members and the wider housing market.

We continue to build our understanding of climate-related risks that may impact the Group, considering both physical risks and transition risks across the following time horizons:

Short-term: <5 years, aligned with the Group's financial planning horizon

Medium-term: 5-10 years, covering the main horizon for key transition risks

Long-term: 10+ years, capturing our future outlook including key physical risks

We also continue to review the potential opportunities climate change presents, including supporting members with home energy efficiency improvements and enhancing business resilience. Further details can be found in our standalone Group Climate-related Disclosures.

Impact on our organisational business, strategy and financial planning

We continue to consider how both the transition to a low-carbon economy and the physical impacts of climate change may affect the Group over time. This includes assessing climate risks as part of our risk management framework and our annual going concern assessment (see the Directors' Report). An assessment of climate change on the Society's financial position has been conducted and separately Connells have considered the financial impact of the risks on its income and costs, business strategy and financial planning.

The most material potential climate risk impact continues to relate to credit risk in our residential mortgage portfolio. Changes in climate have the potential to increase the frequency and severity of physical risks, which could lead to an increasing number of properties subject to physical flooding or subsidence, for example. This could result in a decrease in the valuation of the property which is used as collateral to mitigate mortgage credit risk. In addition, transitional risks associated with progress towards a net zero economy could lead to reduced property valuations or affect a borrower's ability to service their mortgage loan.

To manage these risks, we have quantitative Credit Risk Appetite limits that incorporate the physical and transition risks identified as high-risk from our annual climate scenario analysis. We manage our risk exposures by continuing to evolve our access to climate information to enhance our lending controls for flooding and coastal erosion to provide further physical risk mitigation. We continue to monitor Energy Performance Certificate (EPC) transition risk to track mortgage portfolio property retrofitting.

We are also taking action to help the transition towards a net zero carbon economy, through initiatives such as EPC Plus home energy reports, additional borrowing options for energy-efficient home improvements, and sharing our own experiences around undertaking retrofit through our Big Retrofit Project.

Resilience of the strategy - Climate scenario analysis

Climate scenario analysis continues to form a core part of our climate risk assessment and supports our strategic planning and risk appetite. In 2025, we completed quantitative analysis, with qualitative assessments for less material exposures across four climate pathways, including one aligned with limiting global temperature increases to below 2°C.

The assessment focused primarily on the potential impact to credit risk in the residential mortgage portfolio, including a quantitative assessment of IFRS 9 Expected Credit Losses (ECL), and review of the impact on the Society's equity release portfolio. Qualitative assessments were also completed for other relevant business areas and Group companies. For Connells, a review of the same climate pathways with quantitative modelling of a below 2°C scenario and additional assumptions for the volume of properties sold was completed to consider impacts on property-related income streams and valuation services.

The 2025 results remain broadly consistent with prior years. Across the scenarios modelled, the financial impacts are manageable within the existing risk management framework. Full details are available in our Group Climate-related Disclosures.

Climate-related Disclosure Summary (continued)

Risk Management

Processes for identifying and assessing climate-related risk

The Group undertakes an annual climate risk assessment to identify potential risks that could result in financial or reputational damage and is reviewed by members of the Climate Change Risk Forum (CCRF). Through the CCRF we review climate-related risks to which the Group is exposed, informed by internal processes and relevant regulatory guidance.

The assessment to identify risks involves relevant subject matter experts from across the Group and considers the likelihood of risk crystallisation and potential risk impact to the Group and our customers.

Processes for managing climate-related risks

Climate risk is incorporated into relevant first line processes, risk appetites and control frameworks. With respect to mortgage credit risk, identified as our key climate-related risk, our current controls for managing new lending include:

- Physical or desktop inspection of the property for higher loan to values, where any known flood risk or risk of coastal erosion will be reflected in the valuation.
- Desktop or physical survey on properties in postcodes identified as potentially at risk of future coastal erosion, to capture local knowledge of the risks to each property.
- Insurance requirements at the point of completion, in line with the Society's loan conditions, which provides assurance that the property is insurable at that point in time.

Our concentration risk rules also consider flood risk.

How processes for climate-related risks are integrated into overall risk management

Our ongoing approach to credit risk management is carefully considered, based on experience from our stress scenario analysis, alongside regular monitoring of any emerging concentration risks within the mortgage portfolio.

We continue to be prudent and proportionate in our approach; balancing the risks with any adverse impacts on our members and the wider UK housing market.

Climate-related considerations are also incorporated into our established Risk and Control Self-Assessment (RCSA) process, supporting regular assessment of key risks and controls across the Group.

Risk management framework

Our climate-related risk management processes are aligned and integrated into the Group Risk Management Framework.

The Group has a formal structure for identifying and managing risks throughout the business. This framework supports the delivery of the Corporate Plan in line with the Board's overall risk appetite and is based upon the three lines of defence risk management model with risks rated on magnitude and likelihood.

Climate risk is also managed in other risk areas through various mechanisms including consideration as part of the Internal Capital and Liquidity Adequacy Assessment Processes (ICAAP and ILAAP) and the inclusion of climate-related risks within our Operational Risk Framework.

Further details on climate risk are included in the principal risks section of the Risk Review.

Climate-related Disclosure Summary (continued)

Metrics and targets

Metrics used to monitor climate-related risks

To support the monitoring and management of climate-related risks across the Group, we track a range of physical and transition-risk indicators, including:

- The level of flood risk in the Society mortgage portfolio over different time periods and climate pathways.
- The level of subsidence risk in the Society mortgage portfolio over different time periods.
- The level of coastal erosion risk in the Society mortgage portfolio over different time periods and climate pathways.
- Society mortgage portfolio properties by current and potential EPC category.
- Society quantitative portfolio credit-risk appetite limits to manage the most material physical and transition climate risks.
- Connells' professional indemnity claims caused by physical climate change.
- Group scope 1 and 2 GHG emissions.
- Estimations of Group scope 3 value chain emissions.
- Estimations of Group scope 3 financed emissions intensity for the residential mortgage portfolio (Society and SIL).

Skipton Group scope 1, 2 and 3 GHG emissions

Across the Skipton Group we collect data to monitor and assess energy used and emissions generated across our operations. Group emissions are reported under both the market-based and location-based methods.

Our scope 1 and 2 GHG emissions relate to the energy we use to operate our branches and offices, and our company owned or operated vehicles for our employees. Most of our operations are based in the UK, with smaller facilities in Australia, Guernsey, Jersey and New Zealand.

Our scope 1 and 2 location-based emissions have reduced 12% from 2024, and our energy consumption is down 3%. Our market-based emissions have reduced 15% due to increased purchasing of electricity backed by a renewable energy of guarantee of origin (REGO), at 91% in 2025 (2024: 86%).

12% Reduction in Scope 1&2 emissions

(2024: 8,723 tCO_2e)

We aim to purchase electricity tariffs, with a renewable energy guarantee of origin (REGO) for our Group operations, with the Society purchasing a green gas tariff, with renewable gas certification (RGGO).

The work to lower energy used across our offices and branches has continued throughout 2025, continuing to switch to more energy-efficient LED lighting, and installing smart electricity and gas meters. Additionally, Connells continues the transition of their fleet to lower emission vehicles, with 43% of the fleet being hybrid or electric at the end of 2025.

We report estimated scope 3 data covering financed emissions from our lending for our residential and legacy commercial mortgage portfolio (Society and SIL). The total financed emissions are estimated as at a 30 September snapshot, based on an LTV-based attribution ratio, property type, and EPC data available. We saw an increase in the number of residential properties with an EPC available, at 84%. In 2025, the total (residential and commercial) attributed mortgage financed emissions increased 1% from 2024, in line with growth in the residential mortgage book.

We recognise that there are certain limitations in the collection of such data which will affect both the metrics and our targets, and the usefulness of this data for our strategic decision-making.

Climate-related Disclosure Summary (continued)

Metrics and targets

Group GHG emissions and energy data (note 1)

Scope 1 and 2 (notes 2 and 3)	Metric detail	2025	2024
Scope 1 — offices, branches and company vehicles	tCO_2e	3,155	3,380
Scope 2 (location-based) electricity	tCO_2e	4,523	5,343
Scope 2 (market-based) electricity	tCO_2e	771	1,231
Scope 1 & 2 energy usage (inc. vehicles)	kWh	41,155,847	42,501,013
Total scope 1 & 2 emissions (location-based)	tCO_2e	7,652	8,723
Scope 1 & 2 emissions from UK operations (location-based)		99%	99%
Total scope 1 & 2 emissions (market-based)	tCO_2e	3,925	4,611
Scope 1 & 2 location-based emissions intensity ratio	tCO_2e / £m turnover	4.49	5.39
Scope 3 financed emissions, category 15 (note 4)			
Estimated attributed financed emissions — mortgage lending from residential and commercial mortgage portfolio	tCO_2e	257,350	254,062

Notes

1. Further information on GHG emissions and limitations can be found in the 2025 Group Sustainability Report.
2. Where scope 1 and 2 actuals data was not available, consumption was estimated using average or proxy data. Data for Connells' acquisition of Ryden and Stiles Harold Williams is for 1 April 2024 to 31 March 2025. Data for the Jade acquisition of Contec Group International Limited will be included from 1 January 2026.
3. For market-based emissions where consumption was not REGO-backed, a residual or location-based factor has been applied. Our renewable gas certificates are not used towards emission reductions.
4. Calculated on an annual 30 September snapshot basis, using Partnership for Carbon Accounting Financials emission factors. The attribution ratio applied is based on the valuation of the property at loan origination. The 2024 figure is restated due to the application of an improved LTV-based attribution methodology for floor area.

Targets used to manage climate-related risks and opportunities and performance against targets

We remain committed to reducing the environmental impact of our operations and supporting the UK's transition to net zero by 2050.

We have a Group-wide approach to reduce our scope 1 and 2, and selected categories of scope 3 value chain emissions, in line with net zero by 2050 or earlier. In addition, we have an ambition to reduce our financed emissions intensity (kgCO2e/m2) of our residential mortgage lending in line with a net zero pathway.

The Board has approved a science-aligned near term 2030 target to reduce our gross scope 1 emissions by 42%, against a 2023 base year. For scope 2, we aim to source 100% REGO-backed electricity. Further information can be found in the 2025 Group Sustainability Report.

We recognise, to reach our net zero target, there are factors and uncertainties beyond our control and require the involvement of others including policy makers, governments, suppliers, and customers. We appreciate that these may impact on our ability to meet our climate-related targets, or make them more challenging, and there is a risk that all or some of them will not be achieved.

Financial Review

"Collectively, our Group businesses delivered another year of strong financial performance, despite external headwinds and a 'stop start' UK housing market; while furthering our ambitions to support first-time buyers, broaden access to advice and make membership matter more."

Paul Chambers,
Group Chief Financial Officer

Key Financial Performance Indicators

Group profit before tax (PBT) to ensure we generate the capital necessary to grow the business	2025	£275.2m		Page 36
	2024	£318.6m		
	2023	£333.4m		
Underlying Group profit before tax to ensure we generate the necessary capital to grow the business (note 1)	2025	£294.9m		Page 37
	2024	£302.3m		
	2023	£308.6m		
Group net interest margin (% of mean assets) to manage the earnings of our business	2025	1.29%		Page 36
	2024	1.28%		
	2023	1.53%		
Costs to mean assets (Society only) to maintain a manageable cost base to ensure we remain efficient	2025	0.70%		Page 38
	2024	0.73%		
	2023	0.72%		
Retail funding (as a % of total funding) to demonstrate we can fund most of our mortgages through retail savings	2025	87.5%		Page 43
	2024	85.6%		
	2023	83.2%		
Liquidity Coverage Ratio (LCR) (Prudential Group) to ensure we hold sufficient levels and quality of liquidity (note 2)	2025	178%		Page 41
	2024	193%		
	2023	173%		
Common Equity Tier 1 (CET1) ratio (Prudential Group) to ensure financial strength by having a strong (risk weighted) capital base (note 2, 3)	2025	28.2%		Page 44
	2024	28.7%		
	2023	26.0%		
Leverage ratio (Prudential Group) to ensure financial strength by having a strong (non-risk weighted) capital base (note 2, 3)	2025	6.7%		Page 44
	2024	6.6%		
	2023	6.7%		

Notes

1. Included as a key measure in the Executive Directors' remuneration policy calculations. For further details see the Directors' Remuneration Report.
2. The Prudential Group excludes a small number of subsidiaries deemed as immaterial, or where not core to financial services, such as Connells and Jade.
3. These ratios apply International Financial Reporting Standard 9 (IFRS 9) transitional arrangements for 2023 and 2024; which ceased to apply from 1 January 2025.

Financial Review (continued)

The Group has performed well in 2025, achieving balance sheet growth, good profitability (albeit down on last year), and maintaining our strong capital position, despite economic conditions in the UK being subdued. Economic growth slowed over the second half of the year as households adjusted to tighter fiscal conditions amidst the effects of prolonged cost of living pressures, while businesses positioned themselves to take the strain of rising business costs.

Financial performance

Group profit before tax (PBT) was £275.2m (2024: £318.6m). Growth in estate agency and surveying income in Connells, and mortgage lending volumes in the Society (as housing market activity strengthened modestly), while growth in cash ISA balances – with savers continuing to prioritise value and security, helped alleviate underlying pressures from a shifting interest rate environment. The Group also saw an increase in cost base, particularly at Connells, with rising salaries being the main driver. The Society and SIL also saw an increase in loan impairment which further dampened profits; while there was a one-off charge for the Society on the buy-back of Permanent Interest-Bearing Shares (PIBS) in the year.

Summary Group Income Statement	2025 (£m)	2024 (£m)
Net interest income	**514.9**	488.4
Fees and commissions receivable	**1,208.8**	1,109.6
Fair value (losses) / gains on financial instruments mandatorily held at FVTL	**(1.9)**	18.0
Other operating (expenses) / income	**(11.0)**	3.2
Total income	**1,710.8**	1,619.2
Administrative expenses	**(1,423.4)**	(1,312.3)
Operating profit before impairment loss and provisions	**287.4**	306.9
Impairment and provisions	**(12.2)**	11.7
Total Group profit before tax	**275.2**	318.6
Tax expense	**(66.2)**	(78.1)
Total Group profit for the year	**209.0**	240.5

We have maintained net interest margin, despite the Bank of England Base Rate of interest being cut four-times in the year, reducing from 4.75% to 3.75%. Net interest benefited from favourable cost of funding, offset by a more competitive mortgage market.

1.29% Group net interest margin

(2024: 1.28%)

The Society delivered PBT of £189.3m, excluding income from shares in subsidiary undertakings (2024: £209.9m). While underlying net interest margin has remained resilient, the one-off redemption of £25m of the Society's Permanent Interest-Bearing Shares (PIBS) in the year, together with further investment (people, brand and technology) as well as increases to our loan impairment, has ultimately resulted in a lower year-on-year PBT position. Excluding the £27.9m cost to redeem the PIBS, as detailed further on page 38, the Society's profits were marginally higher than 2024.

SIL reported a profit of £12.1m (£31.0m). The reduction in SIL PBT was anticipated with the business purposefully slowing growth, while investing heavily to continue its transition to better support customers. This has resulted in significantly higher salary costs following the growth of back-office teams.

Connells increased profitability this year, achieving PBT of £73.1m (2024: £61.3m), as activity continued to recover in the housing market, particularly early in the year; buoyed by a surge of property transactions as buyers rushed to complete purchases ahead of the changes to Stamp Duty thresholds at the end of March. However, activity was more subdued following this.

For the Group, administrative expenses increased in 2025 by £111.1m (up 8.5%) to £1,423.4m (2024: £1,312.3m). Spend in the year reflects further investment in our services and our brand, and also in our people. Salaries across the Group have increased 10% on last year, through a combination of rising headcount and higher pay awards as we continue our focus on providing high levels of customer satisfaction.

Financial Review (continued)

The Group recognised an increase in expected credit losses on loans and advances to customers of £10.1m during the year (2024: £17.1m reduction). This predominantly relates to residential mortgages in the Homes business, driven by updates to our underlying economic assumptions, as detailed further on page 38.

Alternative performance measures

The Board monitors and reports profits at a statutory level, governed by accounting standards and practices, and at an 'underlying' level to give greater transparency of the performance of the Group's ongoing trading activities.

Underlying Group Profit Before Tax	2025 (£m)	2024 (£m)
Total Group profit before tax	**275.2**	318.6
Add back / (less) fair value losses / (gains) in relation to the equity release portfolio^	**6.4**	(9.3)
Less fair value gains on share warrants and equity share investments	**(6.0)**	(7.0)
Add back fair value losses on the loan to defined benefit pension scheme	**2.2**	-
Less profit on disposal of subsidiary undertakings	**(10.8)**	-
Add back charge on buy-back of Permanent Interest-Bearing Shares	**27.9**	-
Underlying Group profit before tax	**294.9**	302.3

^Comprises fair value movements on the portfolio and associated derivatives, as shown in Note 5 to the Accounts.

Underlying Group PBT - Underlying profit is used to measure the progress of the Group against its strategic objectives and the Board uses this measure to aid in strategic decision-making. The following items are excluded from statutory profit to arrive at underlying profit: gains or losses on disposal of Group undertakings, impairment of Group undertakings, fair value movements in relation to the equity release portfolio, and fair value movements in respect of share warrants, equity share investments, the loan to defined benefit pension scheme (following the introduction this year, as outlined in Note 35 to the Accounts) and Group undertakings.

This reflects the Group's current strategy and business model, the majority of these items being generated from the Group's investments in other entities not considered part of the Group's core strategy and thus excluded from underlying profit on that basis.

In the year, the Society completed the successful buy-back of £25m Permanent Interest-Bearing Shares (PIBS). This was an exceptional occurrence, outside of normal trading, and as such, given it does not represent normal performance, has been excluded from profit before tax to arrive at underlying Group PBT.

The other items listed above are excluded from underlying profit on the following basis:

- Fair value movements in relation to the equity release portfolio and associated derivatives - under IFRS 9, the equity release portfolio is held entirely at fair value, as are the associated derivatives, with resulting gains / losses taken to the Income Statement and as a result, the Group is exposed to significant income statement volatility. Such gains / losses are therefore excluded from underlying PBT on the grounds that they are not reflective of the underlying trading performance. This is also the case for the fair value gains or losses on the loan to the defined benefit pension scheme.
- Fair value gains or losses on equity share investments and share warrants are recognised through the Income Statement (except for certain investments elected to be recognised through other comprehensive income). As above, we exclude any gains or losses from the disposal of Group undertakings, and therefore on the same basis i.e. not part of the Group's core strategy, fair value gains / losses on equity share investments and share warrants are also excluded from underlying PBT.

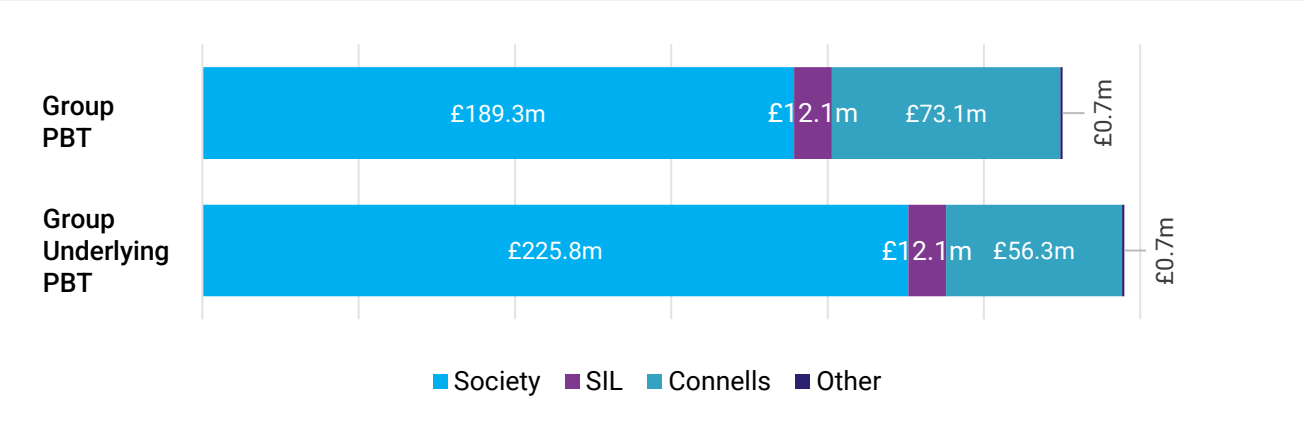
Underlying profit provides greater transparency of the performance of the Group's ongoing trading activities and improves the comparability of information between reporting periods.

The Group's policy is to not adjust for amortisation charges or acquisition costs when calculating underlying profits. Therefore, amortisation charges arising from the acquisition of Countrywide by Connells in March 2021 are included within underlying PBT - these charges will not recur in the medium term.

Financial Review (continued)

Performance by segment

The Group's total profit before tax and underlying profit before tax by key business line was as follows:



Group PBT	2025 (£m)	2024 (£m)
Society	**189.3**	209.9
SIL	**12.1**	31.0
Connells	**73.1**	61.3
Other^	**0.7**	16.4
Total	**275.2**	318.6

Group Underlying PBT	2025 (£m)	2024 (£m)
Society	**225.8**	200.6
SIL	**12.1**	31.0
Connells	**56.3**	54.3
Other^	**0.7**	16.4
Total	**294.9**	302.3

^ Information regarding segments that are not separately reportable is combined within the 'Other' category, together with the impact of Group consolidation adjustments.

Society

The Society's reported pre-tax profit includes a one-off cost of £27.9m for the buy-back of PIBS in the year. While the decision to repurchase our PIBS resulted in a one-off charge to the Income Statement, this will lead to a £3.2 million interest saving per year, which will be reinvested into the Society to deliver our purpose and create real value for our members.

On an underlying basis, the Society achieved pre-tax profits of £225.8m for the year (2024: £200.6m).

Net interest income is the income earned on assets (principally mortgages, other loans and advances, and liquidity), less that paid on liabilities (principally retail savings, wholesale funding, subscribed capital and subordinated debt); which amounted to £442.2m (2024: £407.2m).

The Society's net interest margin performed well in 2025 amidst a falling interest rate environment, improving to 1.18% (2024: 1.14%). A lower cost of funds within the retail savings market, particularly in the first half of the year, supported this year-on-year improvement in margin.

The Society's net non-interest income, which is predominantly made up of financial advice fees and commissions receivable, was £46.2m (2024: £43.9m).

Administrative expenses for the Society, including depreciation and amortisation, increased slightly by £0.4m compared to last year, rising to £262.4m (2024: £262.0m). We have continued to invest in our service, through improved digital pathways; and in our brand and our people, whilst remaining focused on controlling costs and realising efficiencies.

Despite continued investment, our ratio of costs to mean assets, a traditional measure of efficiency, reduced to 0.70% (2024: 0.73%) reflecting our strong balance sheet growth (as outlined on pages 41 to 44).

A residential mortgage impairment charge of £9.5m was recorded in the year, which has resulted from changes to the Group's forward-looking economic assumptions, which reflect a greater weighting to downturn scenarios, as discussed further in Note 1v) to the Accounts.

This contrasts to last year, where a credit of £14.1m was realised, with the modelling having taken into account the reducing Base Rate, following its peak at 5.25% in 2023.

Financial Review (continued)

Homes - Our Homes business is designed to provide finance in order to access the housing market and 'help more people have a home'.

8.6% Society mortgage book growth rate

(2024: 9.0%)

Gross new mortgage advances in our Homes business were £6,927m (2024: £5,940m), whilst net lending was £2,460m (2024: £2,375m). Despite the uncertain economic environment, the Homes business again achieved strong net mortgage book growth in the year of 8.6% (2024: 9.0%), while maintaining our underwriting standards.

0.31% Society residential mortgages in arrears by three months or more

(2024: 0.29%)

Residential mortgages in arrears by three months or more totalled 592 cases representing only 0.31% of mortgage accounts (2024: 541 cases, representing 0.29%). We have seen a small increase in arrears as cost-of-living pressures continue to flow through to customers, particularly for those coming off low fixed rates. However, arrears remain low, and this is testament to our strong up-front lending controls and proactive credit management, whereby we closely monitor and manage mortgages that have fallen into arrears, working with borrowers to find solutions that are appropriate for their individual circumstances.

At the year end, the Homes business's residential impairment loss allowance was £20.9m (2024: £12.8m), with a related debit to the Income Statement of £9.5m (2024: £14.1m credit), as detailed on page 38.

The commercial lending portfolio, closed to new business since 2008, stands at £92.2m (2024: £114.3m) with an average loan size of £218.6k. The proportion of accounts in arrears by three months or more in this portfolio was 2.68% (2024: 1.69%).

The commercial impairment loss allowance stood at £2.6m (2024: £4.7m), with a related debit to the Income Statement of £0.3m (2024: £2.9m credit). The reduction in the impairment allowance, despite the impairment charge in the year, is due principally to the write-back of a specific provision made in the prior year, while the level of allowance required is reducing over time as this closed book continues to run-off.

Our Homes business holds an equity release mortgage book which is closed to new business. We have seen a net fair value loss on our equity release portfolio and associated derivatives of £6.4m (2024: net gain of £9.3m). This net fair value loss is driven by changes in market expectations of long-term interest rates, inflation and house price growth.

Refer to Note 15 and Note 18 to the Accounts for further details on loans and advances to customers and our equity release portfolio.

Money - Our Money business helps our members' 'money work harder' and combines our savings and financial advice businesses with our online, branch and contact centre capabilities.

7.8% Savings balance growth rate

(2024: 8.9%)

Savings balances increased by £2,200m in the year, which represents growth of 7.8% (2024: 8.9%) compared to the UK savings market where net savings grew by only 4.4% (Source: Bank of England Statistics, December 2025). Funds under management, as part of our financial advice offering, totalled £5.3bn as at the year end (2024: £4.7bn).

Lifetime ISA (LISA) customers continue to be well represented in our customer base and at 31 December 2025 we had 164,534 LISA customers (2024: 167,660) with total balances of £1,126m (2024: £1,170m), saving hard for their first home or for later life. These customers benefited from government bonuses in the year of £45.1m (2024: £56.2m).

We were the first UK provider to offer a cash Lifetime ISA upon launch in 2017 and today remain one of the largest. The Budget announced a consultation will take place on a new ISA for first-time buyers, and we look forward to sharing our unique insight to help shape its future replacement, in order to help even more people take their first step onto the housing ladder.

Financial Review (continued)

SIL

2025 saw SIL continue to focus on transitioning the business, by strengthening its control and regulatory environment, to provide an improved and robust offering for its clients. This has had a consequential short-term impact upon both revenue and expenditure but is crucial for longer term growth. As a result, underlying PBT reduced, as anticipated, to £12.1m (2024: £31.0m).

The decrease in profits reflects a reduction in interest income due to a combination of strategic slowdown in growth and external market factors reducing expected returns on mortgages, which has impacted SIL's net interest margin, reducing to 1.62% (2024: 1.97%). Profit has also been heavily impacted by related investment spend, with the ratio of costs to mean assets increasing to 1.15% (2024: 0.81%).

Administrative expenses rose by nearly 40% to £29.7m (2024: £21.4m) as a result of this investment, which included increased professional fees and higher salary expense following the growth of back-office teams. Last years' profit was also bolstered by hedging gains when compared to the current year.

SIL's savings book decreased by 2.0% in the year to £2,369m (2024: £2,418m) while SIL's mortgage book decreased by 0.9% to £2,082m (2024: £2,101m); reflecting a combination of external market forces, redemptions and the strategic decision to slow growth. The quality of the mortgage book remains good with only seven cases in arrears by three months or more (2024: 10 cases).

2025 marks the end of the transitional period for SIL with a 'return to growth' focus in 2026.

Connells

The UK housing market in 2025 experienced contrasting dynamics between the first and second halves of the year.

Connells saw a strong start to 2025, entering with a higher sales pipeline than at the same time last year. Momentum in front end sales activity, gained through late-2024, continued, and was supported by the Stamp Duty changes; with buyers and vendors pressing for completion before the 1 April threshold reductions. Connells benefited from this early-year stimulus, with March being an outstanding month for completions.

Market momentum slowed in the second half of the year however, particularly amidst speculation around changes to property taxes in the run up to the November Budget. Despite this, Connells had a strong year, with increased activity in mortgage advice and the rental sector.

Underlying pre-tax profit in 2025, excluding £10.8m profit on disposal of subsidiary undertakings (see Note 20c) for details), was up 4%.

£56.3m Connells underlying PBT

(2024: £54.3m)

The number of properties that the business exchanged contracts on during the year was 9% higher than in 2024, with the surveying business benefitting from this increased activity, with the total number of survey and valuation cases completed in 2025 increasing by 7%.

Connells' financial services proposition also continued to perform well. The number of mortgages arranged increased by 9%, with the value of lending generated for UK mortgage providers in 2025 totalling £33.3bn (2024: £31.7bn).

The lettings business has continued to grow, with properties under management increasing to 128,396 at the year end (2024: 126,590). Income from lettings increased by 4% compared to the prior year due to the increase in properties under management and increases in average fees.

Administrative expenses totalled £1,102.5m (2024: £1,008.9m), an increase of £93.6m (9.3%) on last year. This was driven in the main by acquisitions (noted below) and higher salaries, taking into account wage inflation and the increase to employer's National Insurance contributions; with additional headcount in key strategic areas to drive growth.

During the year, Connells has continued its commitment to strategic expansion and has enhanced its national reach and deepened its client service capabilities with the completion of several acquisitions over the year. Further details of which can be found in Note 20b) to the Accounts.

As the business continues to integrate these acquisitions, Connells is expected improve efficiencies and realise future benefits of scale.

Other

SBF generated increased pre-tax profits of £11.6m (2024: £10.8m). Total drawn funds stood at £200.6m as at the year end, surpassing last years' record level (2024: £190.1m), despite client numbers only increasing modestly to 887 (2024: 871). The growth in total lending is as a result of SBF's key strategic priority to onboard larger client

Financial Review (continued)

transactions and to increase product penetration across core client sectors, whilst maintaining credit risk appetite. This, along with new product deployment, is expected to translate into rising profits in future years. The quality of SBF's lending continues to be good, with impairment as a percentage of drawn funds remaining low at 0.71% (2024: 0.78%).

Jade reported a profit of £0.4m for the year (2024: £1.4m). The acquisition of Contec Group International in November (as detailed in Note 20b) to the Accounts) is expected to drive new recurring revenue for the business going forward.

Financial position

Consolidated total assets have increased by 4.4% to £40.7bn at 31 December 2025 predominantly due to our increased trading. Both residential mortgages and retail savings have seen strong growth in a competitive market; helping more people have a home and making their money work harder. Our mortgage balances remain mostly funded by retail deposits, our primary source of funding - in line with our mutual ethos. We also make use of longer-term funding from the wholesale markets.

In the second half of the year, we made a significant investment to simplify our balance sheet by completing a successful buy-back of £25m Permanent Interest-Bearing Shares (PIBS). The up-front cost will be offset by the year-on-year interest saving, in perpetuity.

The Group maintains sufficient levels of high-quality liquid assets in order to support growth plans and recognise market uncertainty. Stress testing scenarios are regularly run to help ensure we remain within our liquidity risk appetite and meet all regulatory requirements. Capital resources are in excess of regulatory requirements, with substantial buffers across risk-based and leverage frameworks.

Summary Group Statement of Financial Position	2025 (£m)	2024 (£m)
Liquid assets	**5,982.9**	6,694.8
Loan and advances to customers held at amortised cost	**33,378.9**	30,601.1
Loans and advances to customers held at FVTPL	**0.8**	0.9
Equity release portfolio	**263.1**	277.2
Derivatives	**350.8**	752.1
Fixed and other assets	**767.7**	689.2
Total assets	**40,744.2**	39,015.3
Shares	**30,526.3**	28,268.5
Borrowings	**6,408.7**	6,786.0
Derivatives	**186.2**	225.1
Other liabilities	**387.2**	336.5
Subordinated liabilities and subscribed capital	**371.2**	731.8
Reserves	**2,861.0**	2,667.6
Non-controlling interests	**3.6**	(0.2)
Total liabilities and equity	**40,744.2**	39,015.3

Liquidity

The Group continues to hold strong levels of liquid assets to ensure it can meet its liabilities as they fall due and to help mitigate economic uncertainties. The Liquidity Coverage Ratio (LCR), a measure designed to ensure that financial institutions have sufficient high-quality assets available to meet their liquidity needs for a 30-day liquidity stress scenario, was 178% (2024: 193%). The reduction in liquidity follows repayment of all outstanding 'Term Funding Scheme with additional incentives for SMEs' (TFSME) in the year, as noted on page 43.

The Group's liquidity levels are closely managed by senior management and have remained above internal and regulatory limits throughout the year. Liquid assets at 31 December 2025 were £6.0bn (2024: £6.7bn). When measured as a percentage of shares, deposits and borrowings, the liquidity ratio remained strong at 16.2% (2024: 19.1%).

Financial Review (continued)

At 31 December 2025, the Society held £5.0bn (2024: £5.8bn) of High-Quality Liquid Assets (HQLA) as analysed below:

Liquidity - HQLA	2025 (£m)	2024 (£m)
Balances with the Bank of England	**1,358.4**	1,928.6
Gilts	**492.5**	885.5
Treasury bills	**233.2**	321.3
Fixed rate bonds	**1,531.0**	1,267.6
Residential mortgage backed securities	**619.0**	619.9
Covered bonds	**813.5**	770.1
Total	**5,047.6**	5,793.0

The table above differs to the total amount of liquid assets shown within the Group's Statement of Financial Position (2025: £6.0bn; 2024: £6.7bn) due to certain items that are excluded from these tables, such as non-HQLA, liquid assets used as collateral and those used in repurchase (or 'repo') transactions.

The Group's treasury investments are held to provide liquidity and over 99% (2024: over 99%) of the Group's treasury investments, excluding exposures to a central clearing house used to clear derivatives, are rated A3 or better. The Group's policy is that investments in treasury assets are typically A3 or better (with the exception of some unrated building societies where separate credit analysis is undertaken).

The Net Stable Funding Ratio (NSFR) is a longer-term stable funding metric, which measures the stability of our funding sources relative to the assets (e.g. mortgage balances) we are required to fund. The Group's NSFR (2025: 137.7%; 2024: 140.3%) is well in excess of the regulatory requirement of 100%, confirming that the Group holds sufficient stable funding to meet this requirement.

The Group regularly conducts an Internal Liquidity Adequacy Assessment Process (ILAAP) in accordance with the Prudential Regulation Authority's (PRA) liquidity guidelines and the Board remains satisfied that the Group has sufficient liquid assets at its disposal in order to meet its obligations as they fall due.

Loans and advances to customers

The Group continues to grow its mortgage assets in a controlled manner, lending within clearly defined risk appetites through both the Homes business and SIL. The Group achieved net mortgage growth of 7.9% (2024: 8.2%) with mortgage balances increasing in the year from £30.9bn at the end of 2024 to £33.3bn. The Group has continued to lend to a broad range of borrowers, within our credit risk appetite, throughout the year. New lending, delivered through both mortgage intermediaries and our own distribution channels, amounted to £5.9bn (2024: £6.1bn). Net mortgage lending totalled £2.5bn (excluding impairment and fair value adjustments for hedged risk) (2024: £2.3bn).

The average residential loan-to-value (LTV) ratio (calculated on a valuation-weighted basis) on new lending has increased slightly to 68.4% (2024: 65.3%). We consider our new lending to remain prudent and the mortgage book to be well diversified by geographical location. As at 31 December 2025, the average valuation-weighted LTV of the total residential mortgage book (excluding equity release) was 48.8% (2024: 46.1%).

Our well-managed spread of risk ensures that the quality of the Group's lending remains high, as such we are well placed to deal with uncertainty ahead. This is evidenced by the proportion of residential mortgage accounts in arrears by three months or more which remained low at 0.30% (2024: 0.29%) excluding non-UK lending; this compares favourably with the industry average of 0.78% (2024: 0.91%) of UK mortgages in arrears by more than three months (Source: UK Finance).

The Group's commercial mortgage portfolio reduced in the year by 19.3% to £92.2m. The average LTV of this portfolio reduced from 42.3% to 38.9% and the proportion of accounts in arrears by three months or more in this portfolio was 2.68% (2024: 1.69%).

At 31 December 2025, the fair value of the Group's equity release portfolio was £263.1m (2024: £277.2m). The decrease in fair value of equity release mortgages is primarily due to movements in external market rates which form the basis of the rate at which the portfolio's cash flows are discounted to (see Note 18 to the Accounts for further details).

We aim to support our customers who find themselves in financial difficulty and where appropriate we will apply a policy of forbearance, based on the customer's individual circumstances and needs. Ensuring a fair outcome for our customers is central to our strategy of forbearance, further details of which can be found in Note 45 to the Accounts.

Financial Review (continued)

Funding

Through our Money business, we continue to manage the mix of retail and wholesale funding in the best interests of members. Optimising the mix of retail and wholesale funding is essential to achieving both our retail savings and lending growth objectives.

We maintain a diverse funding portfolio to prevent over-reliance on one source and, taking into consideration the term profile of our lending, closely manage the term of our funding in order to manage the risks of duration mis-match.

We remain primarily funded by retail savings.

Funding	2025 (£m)	2024 (£m)
Shares held by individuals (note 1)	**30,167.9**	27,943.5
Wholesale funding (note 2)	**4,040.2**	4,368.3
Total	**34,208.1**	32,311.8

Notes

1. Excludes shares held by others and fair value adjustments totalling £358.4m (2024: £325.0m) which are classified as wholesale funding.
2. Wholesale funding balances exclude £2,368.5m (2024: £2,417.7m) of offshore funding in our Channel Islands based business, SIL.

Retail funding

As a mutual building society we remain committed to providing savers with competitive returns along with offering excellent customer service, which is reflected in the 7.8% increase in retail savings balances during the year, as detailed on page 39.

In addition to our UK retail funding, the Group also accepts deposits through SIL (our Channel Islands based business). SIL's funding base totalled £2.4bn (2024: £2.4bn); these balances are included in 'Amounts owed to other customers' within the Group Statement of Financial Position.

Wholesale funding

At 31 December 2025 the Society's wholesale funding ratio was 12.5% (2024: 14.4%), with £4.0bn (2024: £4.4bn) of our funding coming from the wholesale markets, as analysed below:

Wholesale Funding	2025 (£m)	2024 (£m)
Repo and other secured agreements	**165.9**	1,019.2
Deposits	**512.4**	913.8
Certificates of deposit	**-**	5.1
Covered bonds	**2,941.3**	1,934.9
Securitisation	**398.3**	491.6
Fair value adjustments	**22.3**	3.7
Total	**4,040.2**	4,368.3

In May, the Society issued a £500m 5-year covered bond. The cash from this transaction, together with general growth in retail savings balances, was used to repay the outstanding £1.0bn of the Bank of England's 'Term Funding Scheme with additional incentives for SMEs' (TFSME). The Society no longer has any TFSME payable (31 December 2024: £1.0bn).

The Society issued a second £500m 5-year covered bond transaction in September.

The credit ratings of the Society are assigned by two major credit rating agencies, Fitch and Moody's. In September 2025 Fitch affirmed the Society's Long-Term Issuer Default Rating (IDR) at 'A-' with a Stable Outlook, Short-term IDR at 'F1' and Viability Rating (VR) at 'a-'. In June 2025 Fitch also affirmed the Society's mortgage covered bonds at 'AAA' with a Stable Outlook. In June 2025 Moody's affirmed the Society's Baseline Credit Assessment (BCA) at 'A3', it's 'A2' long-term deposit and senior debt ratings with a Stable Outlook, and Short-term at 'P-1'. Moody's also assigns 'Aaa' to the Society's Mortgage Covered Bonds. The ratings reflect the continued financial strength of the Society, which compares favourably to other large building societies.

The Society's current credit ratings, which have not changed since 2021, are summarised below:

Credit Ratings	Fitch	Moody's
Covered bonds	**AAA**	**Aaa**
Senior Preferred	**A**	**A2**
Baseline Credit Assessment (BCA)	**N/A**	**A3**
Issuer Default Rating (IDR)	**A-**	**N/A**
Short Term	**F1**	**P-1**
Senior Non-Preferred	**A-**	**Baa1**
Outlook	**Stable**	**Stable**
Last change of rating	**August 2021**	**July 2021**

The Class A Notes of our rated securitisation transaction (Darrowby No. 6 plc) is 'Aaa' rated by both agencies.

Financial Review (continued)

In December, as a result of our strong capital position, we took the opportunity to simplify our balance sheet, by way of a liability management exercise to buy back our £25m, 12.875% legacy Tier 2 eligible PIBS at a fair price. This reduced capital (as detailed below) but will deliver interest savings, as part of a more efficient capital model.

Capital (unaudited)

Common Equity Tier 1 (CET1) capital comprises principally the general reserve and subscribed capital provided through Permanent Interest-Bearing Shares (PIBS), with the addition of a small number of regulatory adjustments.

We monitor regulatory capital against the requirements set by the PRA for both the Society and the consolidated Prudential Group (PG). The PG consolidation simply excludes a small number of subsidiaries deemed as immaterial or not core to financial services.

PG capital requirements are higher than for the Society, therefore, the analysis throughout this Capital section has been disclosed at a PG level only.

Total regulatory capital has increased by £174.9m from 31 December 2024 to £2,590.0m as at 31 December 2025 (2024: £2,415.1m). This is mainly due to the retained profits accumulated during 2025.

Risk Weighted Assets (RWAs)

RWAs have increased by £864.0m in the year to £9,141.4m (2024: £8,277.4m). This increase is principally driven by strong residential mortgage book growth in the year.

The Society continues to work with the PRA to update its IRB rating system to meet the latest regulatory requirements. Until the new IRB rating system is approved a temporary model adjustment (TMA) is applied to the Society's regulator-approved IRB model output at portfolio level. The TMA uplifts the expected loss (EL) and RWAs to the level expected in the revised IRB models.

The TMA remains subject to change and may cause variations in the capital metrics. There have not been, and we do not expect there to be, any material changes to the risk profile or strategy of the Society as a result of changes to the TMA.

The CET1 ratio has decreased by 0.5% as growth in RWAs outpaced the increase in CET1 capital.

28.2% CET1 ratio

(2024: 28.7%)

The leverage ratio increased marginally by 0.1%.

6.7% Leverage ratio

(2024: 6.6%)

Capital composition

The following table shows the composition of the PG regulatory capital as at 31 December 2025. IFRS 9 *Financial Instruments* transitional arrangements are applied throughout 2024 and ceased to apply from 1 January 2025.

Regulatory Capital	2025 (£m)	2024 (£m)
Capital resources		
CET1 capital	**2,575.0**	2,375.1
Total Tier 1 Capital	**2,575.0**	2,375.1
Total Tier 2 capital	**15.0**	40.0
Total regulatory capital	**2,590.0**	2,415.1
RWAs	**9,141.4**	8,277.4
Capital and leverage ratios		
CET1 capital	**28.2%**	28.7%
Tier 1 ratio	**28.2%**	28.7%
Total capital ratio	**28.3%**	29.2%
Leverage ratio	**6.7%**	6.6%

Capital management

The Group is regulated by the PRA and is required to manage its capital in accordance with the rules and guidance issued by the PRA under CRD V, the UK CRR and the PRA rulebook.

Financial Review (continued)

The Group completes an Internal Capital Adequacy Assessment Process (ICAAP) at least annually to assess current and projected capital requirements to support the current risks in the business and future risks arising from the Corporate Plan. The ICAAP considers all of the Group's material risks and includes Board-approved stress scenarios which are intended, as a minimum, to meet regulatory requirements.

Pillar 1

The Group holds capital to meet Pillar 1 requirements for credit risk, operational risk, and market risk. The IRB approach is used to calculate the capital for the majority of residential mortgages in the Group, and for equity and non-credit obligation exposures.

The standardised approach is applied to all other exposures relating to operational risk and market risk, except for securitisations. The External Ratings-Based Approach is applied for securitisation investments.

Pillar 2A

The PRA requires the Group to hold additional Pillar 2A capital for risks not covered under Pillar 1. At 31 December 2025 this was £236.1m (2024: £170.2m).

The combination of Pillar 1 and Pillar 2A requirements form the Group's Total Capital Requirement (TCR).

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

MREL is a regulatory requirement set by the Bank of England to ensure institutions can cover losses that would need to be absorbed in the event of a potential failure of the business. The amount of MREL that institutions need to have is linked to the resolution strategy chosen for each firm. The Bank of England's preferred resolution strategy for the Society is a single point of entry bail-in under Part 1 of the Banking Act 2009.

The Group maintained strong capital headroom over its MREL requirement, enabling £350m of senior non-preferred debt to settle at maturity during October 2025 without being replaced.

Further information on the Society's financial strength can be found in the Group's Pillar 3 Disclosures, which are published on the Society's website skipton.co.uk.

Taxation

The Group tax charge for the year is £66.2m (2024: £78.1m) with an effective tax rate of 24.2% (2024: 24.6%). For the Society, the tax charge for the year is £49.5m (2024: £56.7m) with an effective tax rate of 18.2% (2024: 23.1%). In addition to UK corporation tax payable on its profits, the Society's taxable profits above £100m are subject to a 3% banking surcharge which increases the tax charge for 2025 by £2.3m (2024: £3.3m) for the Group and £2.6m (2024: £3.3m) for the Society. The Group's effective tax rate is offset by the impact of lower tax rates in other jurisdictions, whilst the Society's effective tax rate is also impacted by non-taxable dividend income of £82.8m (2024: £36.0m).

A reconciliation of the effective tax rate to the statutory tax rate in the UK is provided in Note 12 to the Accounts. More detailed tax disclosures are provided in Note 34 to the Accounts and in the Country by Country Reporting section.

Further details of the Group's taxation strategy can be found at www.skipton.co.uk/about-us/governance.

Taxes borne are a direct charge impacting the financial results of the Group - the table below shows the total UK tax contribution borne in the year:

Taxes borne	2025 (£m)	2024 (£m)
Employment taxes	**99.4**	79.7
Corporation tax paid	**54.2**	64.0
Irrecoverable VAT	**20.4**	22.5
Taxes on property	**18.4**	18.9
Economic Crime Levy	**1.4**	0.4
Total	193.8	185.5

UK taxes collected in the year comprised the following:

Taxes collected	2025 (£m)	2024 (£m)
PAYE	**127.8**	115.4
National Insurance	**30.2**	29.9
Stamp Duty Land Tax (SDLT)	**29.8**	19.4
Net VAT	**145.7**	135.0
Total	**333.5**	299.7

Financial Review (continued)

Pension funds

The Group manages three funded defined benefit schemes as described in Note 36 to the Accounts. Using the methodology set out in IAS 19 *Employee Benefits*, the aggregate valuation of the three schemes at 31 December 2025 was a combined deficit of £7.4m (2024: £3.8m deficit).

We continue to take steps to manage the Group's exposure to the schemes and all schemes are closed to new members and to future accrual of benefit. The actuarial valuation deficits, as described in Note 36 to the Accounts, are used to judge the level of contributions that should be made and a schedule of deficit contributions has been agreed between the Trustees and the Group.

On 31 January 2025, as part of a strategy to de-risk the Society's exposure to its defined benefit obligation, the Skipton Building Society (2015) Group Pension Scheme was subject to an insurer buy-in. The majority of the Scheme's defined benefit obligations to members are now insured under a policy held by the Scheme, significantly reducing exposure to investment and longevity risk; certain obligations are not insured, for example any future impact of the application of Guaranteed Minimum Pension (GMP) equalisation requirements to historical transfers out of pension schemes.

Ahead of the insurer buy-in transaction, in January 2025, the Group made two payments to the Scheme to facilitate the full scheme buy-in. The first was a loan to the Scheme of £14.6m in recognition of the fact that the Scheme held illiquid assets of the same value. The loan is repaid as the illiquid assets currently held by the Scheme mature. The second was a payment of £10.7m to top up the Scheme's assets to the buy-in policy's value of £105.0m.

During the year, the Countrywide defined benefit pension scheme was subject to a full insurer buy-out. As a result, all major obligations and associated assets were transferred to an insurance provider. There is only a small portion of assets and liabilities remaining in the balance which is expected to be settled in 2026. No settlement gain/loss has been recognised in the income statement following the buyout.

The pension Trustees will continue to monitor and manage the pension schemes in a responsible manner, working with the employer to share the aim of ultimately eliminating the actuarial funding deficit.

The Group also operates defined contribution schemes into which eligible employees are automatically enrolled.

Risk Review

The UK growth forecast remains subdued, with only modest economic expansion recorded through 2025. Inflation continued to fluctuate throughout the year and is forecast to gradually ease through 2026 while remaining above the Bank of England 2% target. Unemployment has edged up gradually over the year, reflecting a soft labour market and cautious business sentiment amid ongoing global uncertainties and persistent geopolitical tensions.

The Bank of England's decision to lower interest rates in the second half of 2024, followed by further gradual reductions in 2025, has contributed to improved credit conditions. Shifting customer behaviours and preferences, particularly in digital engagement and financial services, continue to create both opportunities and challenges across our diversified Group.

Despite some ongoing uncertainty with the economic and political environment in 2025, the Society's and SIL's mortgage books remained resilient and are not showing any material signs of stress. We are closely monitoring our key risk management metrics so that proactive action can be taken should this be required. We remain vigilant for any credit deterioration in the year ahead and are ready to support any member who may be concerned about facing financial difficulty.

The results of Connells are principally driven by the volume of UK property transactions, in particular second-hand property sales. This market is heavily influenced by consumer confidence, driven by the general state of the economy, level of unemployment and interest rates, together with the availability of mortgages, particularly for first-time buyers.

Any slowdown in the housing market puts pressure on Connells' income levels, but the business is partially protected against the performance of its core business through its own diversification into complementary businesses such as lettings and property asset management. Through our estate agency division, we are carefully monitoring the housing market, and expect growth to be geographically uneven, with some regions projected to see stronger growth than others.

Principal risks

The outlook for the Group remains cautiously positive. Persistent economic challenges remain, alongside ongoing uncertainty regarding the long-term direction of government policy following the 2024 General Election. Aside from these factors, the Directors do not consider that the principal risks and uncertainties affecting the Group have changed materially since the publication of the 2024 Annual Report and Accounts and the interim Half-Yearly Financial Report 2025. However, our principal risks continue to evolve and will be managed throughout 2026 and beyond.

The principal risks presented on the following pages are those that are inherent to the Group's business model and strategy, as well as the economic environment in which the Group operates. During the year, all risks that our business is exposed to are assessed for severity and evaluated based on their likelihood and potential impact. Risks are managed through the Group's internal control framework, with key mitigation strategies highlighted below.

Risk Review (continued)

Capital Risk

Risk definition: The risk of not maintaining sufficient capital and MREL (minimum requirement for own funds and eligible liabilities) to support day to day operations, withstand stressed economic conditions and meet regulatory requirements.

Risk management and mitigation

The Capital Management Framework governs the capital adequacy and allocation processes in normal and stressed conditions. This is supported by monthly reporting of the capital and MREL requirements to Board.

The Internal Capital Adequacy Assessment Process (ICAAP) is conducted to assess the Society's and the Prudential Group's current and projected capital and MREL requirements to mitigate the current risks in the business and any future risks arising from the Corporate Plan. The Group currently adopts the following approaches to calculating its Pillar 1 minimum capital requirements:

- Internal Ratings-Based Approach (IRB) for the residential mortgage exposures of the Society.
- IRB approach for exposures relating to investments in subsidiaries outside the regulatory group and non-credit obligation assets (property, plant and equipment, fair value adjustments for hedged risk and cash).
- Standardised approach for other lending exposures.
- Standardised approach for treasury portfolios.
- Standardised approach for operational risk and market risk.

Within the ICAAP we consider the impact of emerging capital regulation over the Corporate Plan horizon, including the reforms to the Basel III regulation, and how we expect to meet those requirements. A Recovery Plan is maintained which provides a suite of viable options and actions to restore the Society's financial strength in the event of a severe capital and/or liquidity stress in compliance with associated regulations.

Climate Risk

Risk definition: The risk of the commercial impact that climate and environmental changes present to our business model.

Risk management and mitigation

Climate change presents a range of risks and opportunities to the Group, our members and customers. These include both physical risks and transition risks. The Sustainability Governance Framework supports the management of climate-related risks in accordance with risk appetite and regulatory expectations.

Climate-related risks are assessed through annual climate risk stress and scenario testing. The analysis is focused on a quantitative assessment of the impact of climate change on our residential mortgage portfolio, while also considering potential impacts across the wider Group.

Lending controls are in place to manage physical climate risks within the mortgage book, with regular climate-related management information provided to the Board Risk Committee.

Conduct Risk

Risk definition: The risk of delivering poor or inappropriate outcomes for customers.

Risk management and mitigation

Ensuring fair value and good customer outcomes across our channels, products and services, including more tailored support for our vulnerable customers where required, remains a priority in line with the requirements of Consumer Duty.

All product launches, product withdrawals, pricing, and contractual changes are reviewed, validated and approved through internal governance, ensuring alignment with Corporate Plan and Consumer Duty principles.

The competency and oversight of our colleagues to ensure we provide good outcomes for our customers is regularly assessed to maintain the confidence and trust upon which our brand is based. Our Quality Framework ensures regular risk-based assurance is undertaken to confirm customers receive good outcomes in their interactions with us.

Risk Review (continued)

Credit Risk

Risk definition: The risk of financial losses or adverse impacts on the business's performance and solvency due to the failure of its borrowers to meet their contractual obligations.

Risk management and mitigation

The Group faces credit risks from its lending to individual customers (retail mortgages); to businesses through debt factoring, invoice discounting and asset-based lending; and to wholesale counterparties for the purposes of liquidity management.

Retail and commercial credit exposures are managed and monitored by a team of experienced professionals, with oversight provided by the Retail Credit Committee, underpinned by an established credit risk appetite framework.

The credit decisioning process applies credit scoring, affordability assessment and lending policy criteria which is supported by manual underwriting and model risk management practices.

The Credit Management function supports effective arrears management, with early intervention central to its approach. Borrowers in financial stress are proactively engaged, and forbearance is considered case-by-case, in line with industry standards.

Economic Crime

Risk definition: Financial losses, regulatory penalties, and reputational damage resulting from fraudulent activities, money laundering, terrorist and proliferation financing, bribery, corruption, or other illicit behaviour by the business, its employees, or associated third parties.

Risk management and mitigation

Economic crime risk is managed through a comprehensive framework that establishes clear principles, responsibilities, and procedures for identifying, preventing, and responding to this principal risk. This framework ensures compliance with legal and regulatory obligations while safeguarding members and customers from financial crime. It also mitigates reputational and operational risks through robust governance and oversight. Key controls include rigorous customer identity and verification processes, alongside ongoing transaction monitoring, to detect and reduce the likelihood of fraudulent account activity.

Legal and Regulatory Risk

Risk definition: Financial losses or adverse outcomes arising from failure to comply with applicable laws, regulations, and industry standards, as well as risks related to contractual agreements, litigation, and changes in legislation, and corporate governance issues.

Risk management and mitigation

The Society manages legal and regulatory risk through a robust Policy and framework that combine first-line business ownership with specialist support from Legal, Compliance, and Prudential Risk teams. Business units are accountable for embedding appropriate policies, procedures, and oversight to ensure compliance with applicable laws, regulations, and industry standards. This approach is informed by proactive horizon scanning to identify emerging regulatory developments and adapt accordingly. To provide assurance, second-line functions conduct risk-based reviews to assess control effectiveness and identify any areas of non-compliance, delivering oversight and reassurance to senior management.

Risk Review (continued)

Liquidity, Market and Funding Risk

Risk definition: The risk of being unable to meet current and future financial obligations as they fall due, or only able to do so at excessive cost, and the risk to earnings or capital resulting from adverse movements in interest rates.

Risk management and mitigation

The Group manages liquidity, market, and funding risks through a robust Treasury Policy that sets principles, limits, and governance for these exposures within the Board's approved risk appetite. Group Treasury is responsible for implementing this policy, supported by strong oversight from the Asset & Liability Committee (ALCO) and its sub-committees, with regular reporting to the Board Risk Committee and the Board.

Liquidity and funding risks are managed through a strategy that ensures sufficient and diversified liquidity to meet regulatory requirements and support the Corporate Plan, complemented by contingency arrangements and stress testing under the Internal Liquidity Adequacy Assessment Process (ILAAP).

Market risk, including interest rate risk, is mitigated through hedging strategies using derivatives within defined limits, while wholesale credit risk is controlled through counterparty limits, collateral arrangements, and oversight by the Group Wholesale Credit Committee. These measures collectively ensure resilience under normal and stressed conditions, safeguarding the Group's financial stability.

Model Risk

Risk definition: Model Risk is the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. These adverse consequences could lead to a deterioration in the business' financial strength, non-compliance with applicable laws and/or regulations, or damage to a firm's reputation.

Risk management and mitigation

The Group manages model risk through a dedicated Model Risk Committee (MRC), which provides oversight in line with a Board-approved Model Risk Appetite, Policy and Framework. The MRC monitors model performance, regulatory compliance, and emerging risks, reporting regularly to the Executive Risk Committee and Board Risk Committee.

As the use of models to support strategic and business decisions continues to grow, the Group invests in robust model risk management practices, including enhanced governance, policies, and standards to meet evolving regulatory requirements.

Recent regulatory changes, such as updates to Internal Ratings-Based (IRB) modelling approaches, have driven significant investment in model development and validation. Our suite of IRB models are being further developed to align with updated regulatory requirements, and in the interim, a temporary model adjustment (TMA) has been applied to ensure expected loss and risk-weighted assets remain aligned with regulatory expectations.

These measures ensure that model risk is effectively managed and mitigated across the Group.

Risk Review (continued)

Operational Risk
Risk definition: The risk of losses, resulting from inadequate or failed internal processes, people and systems or from external events.
Risk management and mitigation
The key operational risks the Group face include: • Change Demand and Delivery: Balancing day-to-day operations with transformation initiatives requires robust governance. Our Change Management Framework ensures all changes are assessed, governed, and implemented in a controlled, risk-aware manner through structured planning and review. • Data Management and Protection: Customer data is safeguarded through robust governance and data management frameworks. Our approach ensures secure processing, quality maintenance, and appropriate retention throughout the data lifecycle. • Information Security (Cyber Threat): We remain vigilant against the growing global cyber threat. Cybersecurity controls are continuously strengthened with evolving industry standards, covering network, encryption, and access management to protect our customers and colleagues. We operate an overarching Information Security Framework, Access Control Policy and Security Incident and Event Management Framework and continue to invest in automating cyber controls, educating colleagues on the latest technology and information to further enhance resilience and awareness. • Operational Resilience: We maintain a strong focus on operational resilience, ensuring the ability to prevent, respond to, and recover from any disruptions. Regularly tested business continuity plans support controlled, documented, and risk-aware continuity across all business areas. We also continue to strengthen controls, governance, and knowledge by leveraging insights from the latest incidents both within our business and across the wider financial services sector, ensuring lessons learned drive continuous improvement. • Payment Processes: This risk is managed through automated workflows, exception reporting, continuity and contingency processes and strong oversight. Financial integrity and compliance is maintained through automated reconciliation, segregation of duties, and variance checks to ensure accurate and timely processing. • Physical Security and Safety: We safeguard colleagues, customers, premises, and physical assets through policies which regulate access, ensure visitors are authorized, and monitored, and enforce procedures such as entry controls and surveillance. Regular reviews and testing strengthen these measures, mitigating risks including unauthorized access, theft, and data breaches. • Technology: IT Service Management provides controls to help technology services withstand, recover from, and adapt to any disruptions without impacting critical operations. Key practices include managing end-of-life technologies, implementing disaster recovery and failover protocols, responding to incidents, and monitoring capacity and performance. • Third-Party and Supply Chain Risk: We manage this risk through strong procurement and supplier management processes, ensuring material suppliers maintain services under stressed conditions. Continued investment supports resilience amid a growing dependency on external providers.

Risk Review (continued)

People Risk

Risk definition: Financial losses or operational disruptions arising from misconduct, fraud, inadequate training, or ineffective management and oversight of the businesses' employees and workforce.

Risk management and mitigation

The Group Executive Committee and subsidiary leadership teams are accountable for identifying, managing, and escalating any workforce-related risks — such as talent, conduct, culture, wellbeing, and capability. Oversight is maintained through People Partners, formal governance forums including the Executive People Committee, and Board reporting.

Key indicators such as colleague engagement, grievances, legal claims, turnover, recruitment, and mandatory learning are monitored alongside regulatory developments. A comprehensive suite of People Policies underpins this approach, covering areas such as pre-employment screening, whistleblowing, health and safety, and reward, ensuring compliance and alignment with Group values. Where issues arise, the Group acts promptly to investigate, remediate, and apply lessons learned to strengthen controls.

Regulatory, Financial Reporting and Tax Risk

Risk definition: Financial losses, penalties, or reputational damage due to failures in accurately preparing and submitting financial reports, regulatory reports, complying with tax laws and regulations, or implementing effective tax planning strategies.

Risk management and mitigation

The Group manages Regulatory, Financial Reporting, and Tax Risks through a comprehensive framework overseen by the Group CFO. This includes robust policies, procedures, and internal controls designed to ensure compliance with applicable laws, accounting standards, and regulatory requirements. Governance is supported by clearly defined roles and responsibilities, skilled personnel, and strong oversight through the three lines of defence model, with regular reporting to senior committees and the Board.

Financial reporting controls include formal attestations, reconciliations to approved source data, and system-enforced transaction validations to ensure accuracy and completeness. The Group maintains proactive engagement with regulators and auditors, supported by horizon scanning and specialist advice where required, ensuring transparency and resilience in managing these risks.

Reputational Risk

Risk definition: Failure to manage the potential loss or damage to the Group's reputation arising from actions / behaviours / external outcomes.

Risk management and mitigation

The Group's reputation is safeguarded through effective external communications, marketing, public affairs, and robust issue and crisis management preparedness. A dedicated Crisis Response Framework ensures swift, consistent, and transparent action during incidents that could impact brand integrity, defining clear roles, escalation paths, and messaging protocols to maintain stakeholder trust.

The Group also invests in its control environment and focuses on delivering member value through high-quality service, competitive products, and good customer outcomes. These measures, combined with ongoing monitoring and purposeful engagement, help mitigate reputational risk and protect the Group's long-term resilience.

Risk Review (continued)

Strategic / Business Risk
Risk definition: Failing to formulate and deliver the strategy and/or a lack of response to changes in the external environment affecting the sustainability of the business.
Risk management and mitigation
The Corporate Plan sets the strategic direction aligned with the Group's values and risk appetite, ensuring coordinated delivery and strong oversight. Risk appetite acts as a key governance control, guiding decision-making and setting boundaries for risk-taking to maintain alignment with regulatory expectations. Business risks, including revenue volatility, market changes, and evolving customer behaviours, are assessed through regular strategic analysis, and stress testing. In line with regulatory requirements, the Group maintains recovery plans detailing actions to sustain operations under severe stress scenarios. These measures collectively support resilience and enable the Group to adapt to changing conditions while protecting long-term sustainability.

Emerging risks and uncertainties

In addition to the principal risks, the Group actively considers emerging risks that could impact long-term viability and the delivery of strategic objectives. These risks are regularly monitored to ensure timely oversight and appropriate mitigation. The most significant emerging risks are described below, together with mitigating actions we are taking to manage the risk:

Risk description	Mitigation
Economic environment and geopolitical	
A significant escalation in ongoing or new conflicts, a significant change in government policy or sudden economic impacts to the housing market, could detrimentally impact growth plans.	Macroeconomic and geopolitical risks continue to be closely monitored across all Group businesses, as the near-term outlook remains uncertain. Risks associated with the housing market and future trajectory for UK inflation and interest rates are closely managed as part of our strategic planning, to ensure any potential consequences can be considered and acted on in a timely manner. The Group regularly conducts stress tests based on economic conditions to ensure we can withstand severe yet plausible scenarios. Continued monitoring of both direct and potential secondary impact risks associated with ongoing or new conflicts remains a key consideration. The impact of changes to existing or new government policies are closely monitored.
Technology and innovation	
Potential for losses or operational disruptions that can arise from the use, ownership, operation, influence, and adoption of technology e.g. cybersecurity, Artificial Intelligence (AI), Cloud, third party risk management.	The Group continues to strengthen our governance, processes and controls, including robust cybersecurity measures, regular system maintenance, and disaster recovery planning. We continue to monitor the development of AI technologies closely and consider the associated risks across multiple areas. Informed decision making enables us to strike a balance between the opportunities of utilising technology such as Cloud, and managing any associated risks, to ensure our technology and processes are secure and resilient by design.

Risk Review (continued)

Risk description	Mitigation
Regulatory environment	
Potential for losses or adverse outcomes arising from failure to comply with applicable laws, regulations, and industry standards.	Well established processes are in place to support compliance with existing and new regulations across the Group. We engage proactively with regulators and industry bodies to stay ahead of regulatory changes and emerging requirements. By maintaining a forward-looking approach, the Group aims to manage regulatory risks effectively, safeguard our members' interests and support sustainable growth in a dynamic landscape.
Operational resilience	
A major operational risk event such as a cyber-attack or national infrastructure failure could disrupt our ability to provide key services to members and customers.	The Group carefully plans for different possible situations to ensure we are ready to handle and recover from major risk events. We also invest in our IT systems and operations to improve overall resilience and our ability to respond quickly to new and changing threats. We have robust procurement and supplier management policies to ensure that outsourced service providers can maintain their services and service standards, even in a stressed environment.
Environmental, Social and Governance (ESG) and Climate risk	
The risk associated with increased supervisory expectations and regulatory requirements for ESG and disclosure requirements.	The Group is committed to embedding the management of ESG and climate risk across its businesses. Our 2025 Group Sustainability Report details our approach to managing these risks. The Group will continue to review available data sources and enhance our methodology and processes to improve the robustness of our ESG governance and reporting, aligned with emerging developments and regulatory requirements in 2026 and beyond.
Changing customer behaviours	
The risk of an adverse impact on profitability if customers are more actively seeking a better rate through ease of switching and increased competition.	Enabling current and future members to interact with us through a channel that suits their needs and delivers good outcomes remains a key focus. The Group is responding to these risks by investing in digital infrastructure, enhancing our customer engagement strategies, and developing our product offerings to meet evolving customer needs and behaviours. Supporting more of our members to interact digitally and removing more paper from our journeys supports our ambitions to become paperless.
Group reputational risk	
The risk that a significant event within a Skipton Group business detrimentally impacts the Group or an individual Group business, leading to operational, financial and reputational impacts.	The Skipton Group brand has continued to develop and become more prominent throughout 2025. We continue to look for product opportunities for members, customers and colleagues by harnessing the power of the Group. We have strengthened our Group operating model and risk management framework; this will continue through 2026 to ensure the right resources and capabilities are in place to minimise any associated risks.

Other Information

Non-financial Information Statement

The Society, although not required to follow the Companies Act 2006, has sought to voluntarily comply with elements of s414CB of the Act by including certain non-financial information within our Annual Report & Accounts to provide our stakeholders with a fuller picture of our performance.

Information regarding the following matters can be found on the following pages:

Non-Financial information	Further Detail
Business model	Pages 13 and 14
Key performance indicators	Pages 16 to 24, and page 35
Key risks	Pages 47 to 54
Climate matters	Pages 27 to 34
Environmental matters	Pages 27 to 34
Colleagues	Pages 65
Societal matters	Pages 27 to 34
Respect for human rights	Pages 25 to 26, page 28 and page 65
Anti-corruption and anti-bribery	Page 28

This Strategic Report was approved by the Board of Directors and signed on behalf of the Board by:

P Chambers

Paul Chambers

Group Chief Financial Officer
17 February 2026

Governance

Board of Directors

Skipton Group

Board of Directors

Gwyn Burr
Non-Executive Director

"My role is to lead the board's focus on the development and delivery of the corporate plan. I also remain focused on making membership matter. As members' behaviour in dealing with their financial affairs continues to evolve, I'm working with the team to ensure we serve the needs of our members today and in the future. This includes championing change to deliver increased support for our members – which can be seen in the initiatives we've launched already and those we plan to introduce. I'm proud to lead a board that's tireless in its efforts to support our members and colleagues and have a positive impact."

Gwyn brings wide-ranging Executive experience in retail, thanks to her previous roles at Asda and Sainsbury's. She also has significant financial services experience, having previously held Non-Executive Director positions with Principality Building Society, Sainsbury's Bank plc and the Financial Ombudsman Service. She is currently a Non-Executive Director at Metro AG.

Appointed to the Board: 2022

- Chair of the Board
- Chair of the Board Nominations Committee
- Chair of the Non-Executive Remuneration Committee

Stuart Haire
Executive Director

"I am fully focused on creating a strong franchise by careful stewardship of the Group. This will ensure that it matters more to our members and customers. The Skipton Group is an incredible set of businesses. It's well placed to address challenges such as access to your first home, financial education and quality impartial advice, as well as improving access to the housing market and energy efficiency in UK homes. We've made a start, but there's so much more we need to do to support people in these crucial areas. My job is to make our organisation even more relevant for both existing and new members as they consider their long-term financial needs and aspirations."

Stuart has over 20 years of business leadership experience across financial services. He brings a unique blend of technical and customer-facing skills and experience which will support delivering value to our members and the modernisation of the Group. Stuart is driven by the purpose of serving members' interests now and preparing the business so we can serve those interests in future. He has previously held senior Executive roles at NatWest and HSBC and was CEO of Wealth and Personal Banking at HSBC UK.

Appointed to the Board: 2022

- Group Chief Executive
- Chair of the Group Executive Committee
- Member of the Non-Executive Remuneration Committee

Board of Directors (continued)

Paul Chambers
Executive Director

"My priority in 2026 is to continue to balance providing competitive rates for our members with the need to keep the Society financially sustainable. A lower interest rate environment, combined with inflationary pressures on our expenses, puts additional pressure on our financial performance and requires us to maximise efficiencies across our Group. Achieving this will allow us to continue to fund the transformation of our products and services across our Group."

Paul brings over 30 years' financial services experience, across international banking, wealth management and management consulting. He joined the board from Standard Chartered Group, where he held a number of senior leadership roles, the most recent being Group Financial Controller. Paul has an extensive track record of leading diverse teams through periods of change, from market entry to market exit. This includes launching new products and services, reporting and control process re-design, and core system change.

Appointed to the Board: 2024

- Group Chief Financial Officer
- Member of the Group Executive Committee
- Member of the Non-Executive Remuneration Committee

Graham Lindsay
Non-Executive Director

"My early focus is to learn more about the business and meet as many colleagues as I can – especially teams directly serving our members. I am keen to find ways to understand issues which our members are most concerned about, then seek to find solutions to help. I look forward to becoming a trusted adviser and confidant to our Chair, as well as being available to support all board colleagues as they undertake their important roles delivering value for our members."

Graham has over 45 years' executive-level experience in retail, wealth and commercial banking, primarily within Lloyds Banking Group. He was Managing Director of Lloyds' branch networks and held Group Director roles in HR, mortgages and responsible business. Graham also sat on the boards of the Institute of Financial Services, the Professional Standards Board and The Brain Tumour Charity (where he remains as an emeritus). He is currently a Non-Executive Director with Vanquis Banking Group plc and One Family as well as Vice Chair of Break charity.

Appointed to the Board: 2025

- Deputy Chair of the Board and Senior Independent Director
- Member of the Board Nominations Committee
- Member of the Board Audit Committee
- Member of the Board Change Committee
- Member of the Board Remuneration Committee

Board of Directors (continued)

Iain Cummings
Non-Executive Director

"I was attracted to an organisation that takes a long-term view and focuses on delivering value to its members through supporting them with their mortgages to helping them plan and save for their future. In what was a year of significant change for the Society, my main priority was to ensure a smooth transition for our new Group Chief Financial Officer. This year, I'll be focusing on how we demonstrate that our material controls are operating effectively to support the requirements of the updated Corporate Governance Code and our realisation of the value for members from the considerable levels of investment and change within the Society."

Iain is a Fellow of the Institute of Chartered Accountants in England and Wales with over 35 years of experience working in the financial sector. He was a partner at KPMG for over 24 years, working with banks and other major financial services firms in both audit and advisory roles, including three years leading KPMG's banking audit practice. He is a Non-Executive Director of Rathbones Group plc (a listed wealth manager), where he is Chair of the Audit Committee, and a Non-Executive Director of Tradition London Group, which comprises the UK subsidiaries of Compagnie Financiere Tradition SA (an interdealer broker), where he is Chair of the Audit and Risk Committees.

Appointed to board: 2022

- Chair of the Board Audit Committee
- Member of the Board Change Committee
- Member of the Board Nominations Committee
- Member of the Board Risk Committee
- Designated Speak Out (Whistleblowing) Non-Executive Director

Steven Davis
Non-Executive Director

"As Chair of the Board Remuneration Committee, I have continued to ensure that our remuneration policies and practices are grounded in fairness, closely aligned with our strategy, and strongly driven by pay for performance."

Steven has over 35 years' experience in retail, fast-moving consumer goods (FMCG) and financial services, in the UK and abroad. Over the past 20 years he has held senior Executive roles in HR, retail operations and change management, always with a strong focus on the colleague and customer experience. His last role was with Sainsbury's Bank, where he also sat on the Sainsbury's Group HR Executive. Steven is a Non-Executive Director of Peter Vardy, Scottish Ballet and Philip Kingsley. He brings a wealth of experience in strategy, change leadership and building strong customer propositions.

Appointed to board: 2023

- Chair of the Board Remuneration Committee
- Member of the Board Nominations Committee
- Designated Colleague Non-Executive Director

Board of Directors (continued)

Hasintha Gunawickrema
Non-Executive Director

"Skipton's mission of helping people into homes, saving for the future, and enjoying long-term financial security, resonates deeply with my own values. I firmly believe that financial services have the potential to create meaningful and positive changes in people's lives. As a mutual organisation owned by its members, Skipton's focus on giving back to the community and prioritising its members' needs is something I am passionate about. We can make a real difference in people's lives through integrity, responsibility, and a commitment to their long-term well-being."

Hasintha brings more than 20 years of experience in financial services, working at Barclays Bank and HSBC Bank plc in Europe, India and the UK. In that time, she has led large-scale initiatives aimed at driving growth, including business, risk, digital, and culture transformation programs. Hasintha is an alumna of Harvard Business School and is a member of the Chartered Institute of Management Accountants (CIMA) - UK. She is also a Non-Executive Director of the Countess of Chester Hospital Trust and coach and mentor, dedicated to empowering future leaders.

Appointed to board: 2024

- Member of the Board Nominations Committee
- Member of the Board Risk Committee

Denis Hall
Non-Executive Director

"My priority has always been on making sure the interests of our members are safeguarded. Whatever happens in the world, it's important that we service their needs effectively. I'm a big advocate of Skipton's core principle in putting members first. And it's been great to see our member-driven values and purpose grow even further over the years. As well as the Society, I also serve on the boards of other financial institutions in Europe. This keeps me informed on current issues, so I can contribute to the Society by weighing up different approaches to common challenges."

Denis has worked in senior risk roles with Citibank, Deutsche Bank and GE Capital. He brings a wide knowledge of risk management, regulation and financial services enabling him to Chair the Board Risk Committee and provide support, advice and challenge to the Executive team on risk management issues. Denis is a Non-Executive Director of Germany's Aareal Bank where he sits on the Risk Committee and is Chair of the Audit Committee. He is also a Non-Executive Director for Moneta Bank in the Czech Republic where he sits on both the Risk and Audit Committees and Non-Executive Director and Chair of the Risk and Audit Committee for Auxmoney Holding in Ireland.

Appointed to board: 2017

- Chair of the Board Risk Committee
- Member of the Board Audit Committee
- Member of the Board Nominations Committee

Board of Directors (continued)

Heather Jackson
Non-Executive Director

"My focus is on fairness and always considering situations from a member viewpoint. I want to make sure the change initiatives make the lives of our members and customers better and easier. Having being born and always lived in Yorkshire, I'm focused on value for money! Making sure we have a positive impact on our members is what drives me personally. I gain motivation from our purpose and from our colleagues' desire to serve all members' best interests."

Heather brings her strategy, technology and operational change background, which is vital as the Society focuses on improving our customer service across all channels and on our use of data to support better decision making. Her experience is crucial to chairing the Board Change Committee, ensuring that the Group gains maximum value for our members from our investment in change. She has 25 years' experience in senior Executive roles at Lloyds plc, Capital One, Boots the Chemist, Asda and Burton Group plc. She is a Non-Executive Director for Ikano Bank Europe, Rothesay and The Veterinary Defence Society, as well as a trustee Director of Yorkshire Cancer Research.

Appointed to board: 2018

- Chair of the Board Change Committee
- Member of the Board Nominations Committee
- Member of the Board Remuneration Committee
- Member of the Board Risk Committee

Board Changes throughout 2025

During 2025 we continued to strengthen our Board with changes made to its composition, as detailed in the Chair's Statement.

Andrew Bottomley, Mark Lund and Philip Moore stepped down from Skipton Group Board in 2025, following the AGM on 28 April.

Directors' Report

Skipton Group

Directors' Report

Dear Member,

The Directors have pleasure in presenting the Group's Annual Report & Accounts for the year ended 31 December 2025.

The financial information included in this Directors' Report is taken from the statutory Accounts on pages 131 to 286 prepared in accordance with UK-adopted International Accounting Standards in accordance with the requirements of the Building Societies Act 1986 and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 that are applicable. Further unaudited information which allows comparison between 2025 and 2024 is set out in the Strategic Report.

Gwyn Burr,
Chair, Skipton Group

Business objectives

The business objectives of the Group are set out in 'Our Group Business Model' and 'Focusing on Ensuring Long-term Success' sections of the Strategic Report.

Business review and future developments

The Chair's Statement, the Group Chief Executive's Report and the Strategic Report set out the performance of the business and its future objectives.

Profits and capital

Group profit before tax (PBT) was £275.2m (2024: £318.6m). Total profit after tax (attributable to the Group) transferred to the general reserve was £208.6m (2024: £240.5m).

Total Group reserves at 31 December 2025 (excluding non-controlling interests) were £2,861.0m (2024: £2,667.6m) including the fair value reserve of £(6.3)m (2024: £(10.6)m), the cash flow hedging reserve of £9.8m (2024: £16.6m), the cost of hedging reserve of £(0.4)m (2024: £(1.4)m), and the translation reserve of £2.8m (2024: £3.2m).

Gross capital at 31 December 2025 was £3,235.8m (2024: £3,399.2m) including £356.0m (2024: £690.2m) of subordinated liabilities and £15.2m (2024: £41.6m) of subscribed capital. The ratio of gross capital as a percentage of shares, deposits and borrowings at 31 December 2025 was 8.76% (2024: 9.70%) and the free capital ratio was 7.24% (2024: 8.31%). The Annual Business Statement gives an explanation of these ratios.

Mortgage arrears

Group mortgage balances at 31 December 2025 included 87 cases (2024: 80) either in possession or where payments were 12 months or more in arrears. The capital balances of these loans were £16.9m (2024: £14.1m). The total amount of arrears on these loans was £1.9m (2024: £1.3m).

Charitable and political donations

In the year, the Group made charitable donations of £3.1m in relation to our commitment to donating 1% of pre-tax (2024) Group profits. Our performance this year means we will donate £2.8m (being 1% of pre-tax Group profits for 2025), which will be paid in 2026.

No contributions were made for political purposes (2024: £nil).

Creditor payment policy

The Group's policy concerning the payment of suppliers is to negotiate and agree terms and conditions with all suppliers and upon complete provision of goods and services, unless there is an express provision for stage payments, undertake to pay suppliers within the agreed payment period. The number of trade payable days as at 31 December 2025 for the Group was 13 days (2024: 11 days).

Directors' Report (continued)

Principal risks and uncertainties

The principal risks and uncertainties are set out in the Risk Review and in Notes 43 to 45 to the Accounts.

Financial risk management objectives and policies

Details of the key risks to which the Group is exposed in relation to its financial instruments, and how these risks are managed, are set out in the Risk Review and in Notes 43 to 45 of the Notes to the Accounts.

Colleagues

The Group remains committed to its policy of treating all colleagues and job applicants fairly, ensuring equal opportunities. Our policy is that no colleague, or potential colleague, is treated less favourably on any grounds including age, race, colour, religion, nationality, ethnic origin, gender, marital status or sexual orientation. We also give all applications from disabled people full consideration in relation to the vacancy concerned and their own aptitudes and abilities. In the event of an existing colleague becoming disabled, we make every effort to maintain their present position or to employ them in alternative suitable work.

We also aim to provide high quality relevant training and development opportunities to all colleagues, which enables them to achieve their full potential and helps the Group meet its corporate objectives.

The Board is briefed regularly on key colleague matters as they arise. There is a comprehensive internal communications structure to cascade relevant business information to colleagues throughout the Society in an appropriate and timely way. The Group's other businesses have similar arrangements in place to ensure effective communication of relevant matters.

The Society recognises an independent trade union (Aegis) with which management meets regularly to consult and negotiate on a wide variety of matters and to which colleagues may make their views known on issues affecting their interests.

Property, plant and equipment

The Directors consider that the overall market value of the freehold and leasehold properties occupied by the Group, excluding the principal office of the Society, is in excess of their corresponding book value that is included within property, plant and equipment (per Note 22 to the Accounts). In arriving at this view, the Directors have taken account of the value-in-use, together with internal and external valuations of the Group's property portfolio.

It is difficult to ascertain a reliable market value for the principal office of the Society, which is a special purpose facility, however the Board considers that its value in use to the Group is greater than its book value.

Directors' responsibilities in respect of the preparation of the Annual Report, Annual Business Statement, Directors' Report and Annual Accounts

This statement, which should be read in conjunction with the Independent Auditor's Report, is made by the Directors to explain their responsibilities in relation to the preparation of the Annual Report & Accounts.

The Directors are responsible for preparing the Annual Report, Annual Business Statement, Directors' Report and the Annual Accounts in accordance with applicable laws and regulations.

The Building Societies Act 1986 requires the Directors to prepare Group and Society Annual Accounts for each financial year. Under that law they are required to prepare the Group Annual Accounts in accordance with UK-adopted international accounting standards in conformity with the requirements of the Building Societies Act 1986 and have elected to prepare the Society Annual Accounts on the same basis.

The Group and Society Annual Accounts are required by law and UK-adopted International Accounting Standards, in accordance with the requirements of the Building Societies Act 1986 and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 that are applicable, to present fairly the financial position and the performance of the Group and the Society. The Building Societies Act 1986 provides in relation to such annual accounts that references in the relevant part of that Act to annual accounts giving a true and fair view are references to their achieving a fair presentation.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with UK-adopted international accounting standards.

Directors' Report (continued)

In preparing each of the Group and Society Annual Accounts, the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Polices, Changes in Accounting Estimates and Errors and apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with UK-adopted International Accounting Standards in accordance with the requirements of the Building Societies Act 1986 and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 that are applicable, subject to any material departures disclosed and explained in the financial statements;
- Assess the Group and Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

In addition to the Annual Accounts, the Act requires the Directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, each containing prescribed information relating to the business of the Group.

The Directors are also required by the Disclosure and Transparency Rules of the Financial Conduct Authority to include a management report containing a fair review of the business, which is set out in the Strategic Report, and a description of the principal risks and uncertainties facing the Group which is set out in the Risk Review.

The Directors have decided to prepare voluntarily a report on the relevant aspects of corporate governance as if the Society were required to comply with the Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority in relation to those applicable matters. This is set out in the Corporate Governance Report.

A copy of these Annual Report & Accounts is placed on the Society's website. Information in respect of the Capital Requirements (Country-by-Country Reporting) Regulations 2014 is included as an annex to these Annual Accounts.

Directors' responsibilities for accounting records and internal controls

The Directors are responsible for ensuring that the Group:

- keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Society, in accordance with the Act; and
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the UK governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Directors' responsibilities in respect of going concern

The Group's business activities together with its financial position, capital resources and the factors likely to affect its future development and performance, including the impact of climate risks are set out in the Strategic Report and the Risk Review. In addition, Notes 43 to 45 of the Annual Accounts include the Group's objectives, policies and processes for managing its liquidity risk, details of financial instruments and hedging activities, and its exposure to credit risk, liquidity risk and market risk.

In common with many financial institutions, the Group meets its day-to-day liquidity requirements through managing both its retail and wholesale funding sources, and is required to maintain a sufficient buffer over regulatory capital requirements in order to continue to be authorised to carry on its business. The Group's forecasts and objectives, which take into account potential changes in trading performance and funding retention, indicate that the Group expects to be able to operate at adequate levels of both liquidity and capital for the next 12-month period.

Directors' Report (continued)

Consequently, after reviewing the Group's forecasts and the risks it faces, the Directors are satisfied that there are no material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern and have, therefore, continued to adopt the going concern basis in preparing these Annual Accounts, as explained in Note 1b) to the Accounts.

Directors' statement of longer-term viability

In accordance with the UK Corporate Governance Code, the Directors have assessed the prospects and the ongoing viability of the Group over a longer period than the 12-month period required by the going concern basis of accounting.

The Directors' assessment of the medium-term prospects of the Group is based on the Group's corporate plans, which project the Group's performance, profitability, capital, liquidity and funding position over a five-year period. The assessment included a review of the Group's current position relative to the market and a review of the Group's strategic priorities over the medium-term including management actions to achieve these strategic goals.

The assessment also included a robust review of the Group's principal risks and uncertainties (outlined in the Risk Review), which were taken into account to ensure that the possible likelihood or impact of these risks materialising would not materially impact the prospects of the Group and to ensure that the necessary control framework was in place to mitigate the impact of these risks on the future prospects of the business. Specifically, the Directors took account of those risks that could result in events or circumstances that might threaten the Group's business model, future performance, solvency or liquidity and reputation, including the social, economic, political and regulatory environments and climate change.

The Directors concluded that the medium-term prospects of the Group are satisfactory and that the financial strength of the business remains healthy throughout the period of assessment.

The Directors have assessed the viability of the Group with the period of assessment being a five-year period, to the end of 2030. Having considered various options, the Directors determined that a five-year period is an appropriate period for the purposes of the Group's viability assessment. This period reflects the Group's five-year corporate planning horizon over which the prospects of the Group and the principal risks threatening these prospects are assessed as outlined above, and also the period over which associated stress testing is performed.

In arriving at their conclusion on the longer-term viability of the Group, the Directors considered the following:

- The Group's prospects over the five-year period as outlined above.
- Stress testing carried out on the 2026 – 2030 business plans through the Group's Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process. The key economic stress test modelled reflected a severe global supply shock which leads to deep recessions across countries resulting in a sharp rise in inflation. The Bank of England raise interest rates to bring inflation back to target. UK real GDP contracts by 5%, while house prices fall for 14 straight quarters, with a decline of 28%. Furthermore, businesses pass on higher costs through to households with lower-income households disproportionately affected. A further scenario was also modelled whereby the key variables such as unemployment and HPI are generally aligned to the first scenario, but the scenario is L-Shaped (GDP) and therefore there is limited recovery in the outer years, with base rate remaining low throughout, despite deflationary fears. The Directors concluded that the impact of these severe economic environments would not threaten the longer-term viability of the Group.
- Reverse stress testing carried out by the Group, which considers scenarios specific to the Group, including operational issues and external threats, that could cause the Group to fail. The Directors have concluded that any such scenarios are unlikely to materialise.
- The potential impact of climate-related financial risks across a range of forecast scenarios. This includes consideration of the potential impact of two scenarios where there is a disorderly transition to a low carbon economy by 2050 and the impact of a scenario in which no such transition occurs.
- The potential impact of emerging regulation, where there is sufficient information regarding the future regulation.

Directors' Report (continued)

- The principal risks facing the Group and the control framework in place to manage and mitigate these risks (as outlined in the Risk Review and Board Risk Committee Report), including an assessment of the likelihood and impact of these risks on the Group. This includes specific consideration of the UK's subdued growth outlook and the ongoing geopolitical tensions that continue to exert pressure on inflation. Despite inflation returning to more normal levels, and wage growth helping to soften cost-of-living pressures, there remains significant strain on some household finances.
- A number of severe but plausible scenarios, arising from the principal risks, which are remote, but if they arose could threaten the longer-term viability of the Group.

There are inherent limitations in preparing long-term financial plans with regard to a number of factors including, but not limited to, social, economic, political, regulatory and climate factors. The Directors consider that the outer years of the financial planning period are more difficult to predict and therefore these years have a greater degree of uncertainty. For example, the external environment remains uncertain and although inflationary pressures are easing and the peak in bank base rate has been reached, we expect competitive pressures to remain in the mortgage and savings markets. These impacts may have an effect on the performance of the Group within the Group's financial planning period; the extent of the impact is currently unknown.

However, based on the results of this assessment, the Directors concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years.

Directors

The Directors of the Society at 31 December 2025, along with their roles and membership of board committees, are set out in the Board of Directors. During the year, the composition of the Board was refreshed to ensure it continues to have an effective balance of skills, knowledge, experience and diversity to deliver on Skipton Group's strategic priorities. Details of changes to the Executive and Non-Executive Directors of the Society in the year are set out in the 'Board changes' section of the Chair's Statement.

Details of Directors' service contracts or letters of appointment are disclosed in the Corporate Governance Report. No Director of the Society had any interest in the shares of any Group undertaking as at 31 December 2025.

In accordance with the UK Corporate Governance Code, all Executive and Non-Executive Directors offer themselves for election or re-election by the members at the 2026 AGM.

Auditor

In accordance with Section 77 of the Building Societies Act 1986, a resolution for the re-appointment of Ernst & Young LLP (EY) will be put to the forthcoming AGM of the Society.

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Society's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

Responsibility statement of the Directors in respect of the Annual Report & Accounts

The Directors who held office at the date of approval of this Directors' Report confirm that, to the best of their knowledge:

- The Annual Accounts, prepared in accordance with UK-adopted International Accounting Standards in accordance with the requirements of the Building Societies Act 1986 and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 that are applicable, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Society; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Society, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report & Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for members to assess the Group's and Society's position and performance, business model and strategy.

Signed on behalf of the Board:

G Burr

Gwyn Burr

Chair, Skipton Group
17 February 2026

Corporate Governance Report

Skipton Group

Corporate Governance Report

Dear Member,

On behalf of the Board of Directors, I am pleased to present the Group's Corporate Governance Report, which details how the Group's governance framework operated in 2025.

As Chair of the Skipton Group, I recognise that good governance is essential to ensuring accountability to our members of the Society. Effective governance underpins a well-managed business, and I am dedicated to upholding the highest standards of best practice.

Gwyn Burr,
Chair, Skipton Group

Our approach is based on the principles and provisions of the UK Corporate Governance Code 2024 (the Code), published by the Financial Reporting Council (FRC), which applies to listed companies. There is a regulatory requirement for building societies to have regard for the Code and, as it represents industry best practice, the Society's Board of Directors (the Board) is committed to adhering to it in so far as it applies to building societies and has readily embraced its provisions. This report outlines the Society's governance arrangements and how we meet the requirements of the Code, which is applicable to listed entities with accounting periods commencing on or after 1 January 2025. A copy of the Code is available at frc.org.uk.

The Code operates on a 'Comply or Explain' basis. The philosophy of the Board is to comply with the Code and the guidance on it issued by the FRC and the Building Societies Association. However, as the Code was not designed for mutual organisations, there are certain provisions with which the Society cannot comply. The areas of non-compliance during the year and the reasons for this were:

- Provision 3, which requires the Chair to discuss governance matters with major shareholders and relay their views to the Board as a whole (as a mutual organisation, owned by its members, with each voting member having one vote, there are no major shareholders and therefore this specific requirement is not relevant to the Society);
- Provision 36, which requires remuneration schemes to promote long-term shareholdings by executive directors (not possible for the Society due to its mutual status); and
- Provision 39, which requires directors' pension contribution rates to align with those of the workforce. (All new appointments comply with this requirement; however, one historical arrangement remained in place until the director's retirement in April 2025.)

During 2025, other than the points listed above, the Board believes that the Society complied with all other aspects of the Code.

In March 2026, Denis Hall, the Chair of the Board Risk Committee, will have served as a non-executive director for nine years, the maximum tenure recommended under Provision 10 of the Code. The recruitment of Denis' replacement is underway and it has been agreed that he will remain on the Board until later in 2026 to ensure a robust handover to his successor.

The updated Code, published in January 2024, includes a revised Provision 29 (effective for accounting periods beginning on or after 1 January 2026) requiring boards to make a declaration in relation to the effectiveness of their material internal controls. During 2025, the Risk and Control Self-Assessment process was strengthened to embed a culture of risk ownership and continual improvement, supported by a strong understanding of our material control activities. Group-wide risk reporting has also been enhanced to provide a clear, aggregated view of current and emerging risks to the Board.

Corporate Governance Report (continued)

Other changes in the Code included a requirement for boards to examine how culture is monitored and embedded; and to ensure that directors' remuneration includes malus and clawback provisions. Culture is covered in the People section of this report and details of applicable malus and clawback provisions are set out in the Directors' Remuneration Report.

Governance Framework

The Group comprises the Society, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA), and its direct and indirect holdings in a number of legal entities, some of which, including Connells, are also regulated by the FCA. SIL, based in the Channel Islands, is regulated by the Guernsey Financial Services Commission (GFSC).

The Group's governance arrangements ensure that it meets the requirements and expectations of members, colleagues and regulators. The Board oversees the Group supported by a number of board committees. Information on these committees is included on page 73.

The Group Chief Executive is responsible for ensuring that the Group meets its strategic and operational objectives set out in the Corporate Plan. He is supported by the Group Executive Committee, which he chairs, and comprises the Group Chief Financial Officer and senior Group Executives.

Each Group subsidiary is governed by its own board, responsible for the prudent management of the subsidiary's businesses, operating within the Board's risk appetite and delegated authorities and for delivering agreed Corporate Plan objectives.

Regular reviews of corporate governance arrangements across the Group are conducted to ensure that key subsidiary boards maintain an appropriate level of independence and flexibility.

Overall, the Board's governance arrangements provide the systems and controls needed to set the Group's direction and ensure effective oversight.

The Role of the Board

The Board's terms of reference clearly set out its responsibility for the overall stewardship of the Group within the context of the Group's governance arrangements which are described below.

The Board formulates strategy and establishes the Society's risk appetite and balance sheet strategy. It is organised to have a proper understanding of, and competence to deal with, the current and emerging issues facing the business of the Group, exercising independent judgement, and effectively reviewing and challenging the performance of management.

Board responsibility	How this is achieved
Governing Body	The Society is headed by an effective Board which is responsible for the overall stewardship and the long-term success of the Group. The Board reviews and approves the Group's long-term objectives, commercial strategy and Corporate Plan, ensuring that the interests of the Society's members remain central to all decisions, while considering other key stakeholders. It embeds a culture that prioritises customer outcomes and maintains oversight of the Group's material risks. The Board is structured to understand and address current and emerging issues, exercise independent judgment, and effectively review and challenge management performance.
Effective Oversight	The Society's governance framework enables the Board to provide strategic guidance and effective oversight across the Group. The governance framework clearly defines the respective roles and responsibilities of directors and senior executives, ensuring accountability to the Group and its members. This ensures a balance of authority such that no single individual has unfettered powers. Through clear lines of sight into activities, the Board can challenge effectively, obtain assurance on performance, uphold the integrity of reporting, and confirm the effectiveness of internal control implementation.
Risk Management Oversight	The Board has a sound strategy for oversight of risk management and systems of internal control supported by timely and transparent reporting. This approach enables the Board to monitor risks on an ongoing basis and ensures the Board is informed of material changes to the risk profile of the Group. It facilitates challenge of the effectiveness of actions taken to mitigate risk. The approach is forward-looking to reduce both the likelihood and the impact of known risks crystallising.

Corporate Governance Report (continued)

The Board has established a clear framework of delegated authorities setting out matters reserved for the Board and those delegated below board level. The Board also has a general duty to ensure that the Group operates within the Society's Rules, relevant laws, regulations and guidance issued by relevant regulatory authorities and that proper accounting records and effective systems of internal control are maintained and audited.

Culture

The Board has agreed purpose, behaviours and culture statements for the Society to guide the business and set expectations for colleagues. Our purpose remains constant: helping more people have a home, helping people save for life ahead and supporting long-term financial well-being. To help deliver this it is important that our culture puts members and customers at the centre of our thinking and values diversity amongst our workforce and the communities we serve.

The Board monitors culture and how culture is embedded in a number of ways including through the appointment of a designated Non-Executive lead for colleague listening and engagement, customer feedback, employee surveys and independent assurance reviews. The Group Chief People Officer formally reports to the Board on cultural evolution on a quarterly basis.

Board meetings

The Board met eleven times during 2025. In line with good governance and to support independent discussion, the non-executive directors met privately after most Board meetings. The attendance record of each director at Board and Board committee meetings is set out on page 76.

In addition, the Board held two strategy meetings in the year, in June and December, where the Group's strategic objectives (which the Board formally approved in December 2024 and re-approved in December 2025) were reviewed and discussed.

A forward-looking meeting planner, maintained by the Group Secretary and General Counsel, ensures effective use of Board time whilst allowing flexibility for emerging matters.

Each Board meeting receives:

- Reports from the Chair, Group Chief Executive and the Group Chief Financial Officer;
- A detailed management report on the Society and the Group, containing financial and non-financial data; and
- Updates on all Board committee meetings held since the previous meeting of the Board.

For the Board to be effective, the relationship between the executive directors and non-executive directors must be constructive, open and respectful. The boardroom environment is collegiate, and all directors are encouraged to contribute. The role of the non-executive directors is not only to challenge but to support the Group Executive Committee and bring their experience to bear. To this end, the non-executive directors are welcomed to meetings outside the formal Board and committee structure, which develops their understanding of the business and allows the management teams to benefit from their experience and fully understand the Non-Executive perspective on particular issues.

Below are some of the material matters considered by the Board during the year:

Responsibility	Key activity
Strategy	• Approved the ongoing Corporate Plan and monitored delivery of the strategic actions identified to achieve the Group's strategy. • Reviewed progress on the delivery of each of the Society's key strategic change projects, particularly focusing on the development of the Society's digital capabilities. • Approved additional investment for the continued upgrade of Connells' IT infrastructure.
Risk Management and Regulatory Matters	• Approved the Society's risk appetite and monitored ongoing adherence. • Approved the Board Risk Appetite Statement, the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Internal Capital Adequacy Assessment Process (ICAAP). • Approved the Society's Recovery Plan and Resolvability Assessment Framework (RAF) to ensure that adequate provisions and processes are in place to protect the Society's business and its members. • Approved the Consumer Duty Board Assessment.

Corporate Governance Report (continued)

Responsibility	Key Activity
Performance and Financial Reporting	• Reviewed and approved the Society's interim and full year financial results. • Considered and approved the redemption of the Society's Permanent Interest-Bearing Shares (PIBS). • Reviewed and approved the Society's Annual Report & Accounts and Summary Financial Statements. • Approved the Long-term Viability Statement. • Approved the Letter of Representation to the Auditors. • Approved amendments to the Group Tax Strategy.
People and Culture	• Reviewed and implemented changes to Board Committee membership. • Appointed Graham Lindsay as Senior Independent Director and Deputy Chair from 19 May 2025. • Reviewed the 2026-2030 Colleague Plan. • Considered the outcomes of colleague pulse surveys. • Considered the annual report on Gender Pay Gap within the Society. • Approved the Board Composition Policy.
Environmental, Social and Governance (ESG)	• Completed the annual review and approved the terms of reference of the Board & each of its committees. • Reviewed and approved the Society's Speak Out (Whistleblowing) Policy and received the Whistleblowing Annual Report. • Approved the Group Sustainability Report. • Approved the Society's costed emission reduction plan and approved the Group's 2030 Scope 1 target & Scope 2 aim.

Board Structure at 31 December 2025

The Board has delegated certain matters to its committees in order that these can be considered in more detail. The terms of reference of all Board committees are available at skipton.co.uk/about-us/governance or from the Group Secretary and General Counsel.

Group Chair: Gwyn Burr
Responsible for leading the Board, setting the Board's agenda and ensuring the Board's effectiveness.

Board
Responsible for the overall stewardship and the long-term strategy of the Society and the Group

9 Directors
Non-Executive Directors: Gwyn Burr, Iain Cummings, Steven Davis, Hasintha Gunawickrema, Graham Lindsay, Denis Hall, Heather Jackson
Executive Directors: Stuart Haire, Paul Chambers

Board Audit Committee	Board Change Committee	Board Nominations Committee	Board Remuneration Committee	Board Risk Committee	Non-Executive Remuneration Committee
Chair: Iain Cummings	Chair: Heather Jackson	Chair: Gwyn Burr	Chair: Steven Davis	Chair: Denis Hall	Chair: Gwyn Burr
Members: Denis Hall, Graham Lindsay	Members: Iain Cummings, Graham Lindsay	Members: Iain Cummings, Steven Davis, Hasintha Gunawickrema, Denis Hall, Heather Jackson, Graham Lindsay	Members: Heather Jackson, Graham Lindsay	Members: Iain Cummings, Hasintha Gunawickrema, Heather Jackson	Members: Stuart Haire, Paul Chambers

Corporate Governance Report (continued)

Division of responsibilities

The roles of the Board Chair and the Group Chief Executive are distinct and held by different individuals. The responsibilities of each role holder is set out in their role profiles and terms of appointment.

Chair of the Board
Gwyn Burr

Responsibilities

- Managing and providing leadership to the Board and Group, safeguarding and promoting the long-term success and sustainability of the Society in the interests of current and future members.
- Leading the Board's contribution to supporting the Group CEO and Executive team in the development of the Group's strategy.
- Establishing agendas for Board meetings, ensuring they are appropriately focused on strategy, performance, culture and risk management matters, and proactively managing the annual calendar of business to ensure the most appropriate use of the Board's time.
- Fostering a culture where Board members can challenge issues openly and encouraging and managing strong debate whilst achieving decisions on issues considered by the Board.
- Demonstrating ethical leadership and upholding the highest standards of integrity and probity, setting clear expectations concerning the Society's and Group's culture and behaviour.
- Building an effective and diverse Board reflecting an appropriate balance of skills and experience given the Group's current and future activities.
- Leading the development of, and monitoring the effective implementation of, the approach to the training and professional development of all the non-executive directors.
- Ensuring effective communication with all stakeholder groups and communicating with the Society's members on behalf of the Board.
- Supporting the Group Chief Executive and leading the annual appraisal of the Group Chief Executive.

The Senior Independent Director and Deputy Chair plays a key role in supporting the Chair in leading the Board and acting as a sounding board and source of advice for the Chair and the Board. Graham Lindsay was appointed as Senior Independent Director and Deputy Chair effective 19 May 2025, following Mark Lund stepping down from the Board at the 2025 AGM.

Senior Independent Director & Deputy Chair
Graham Lindsay

Responsibilities

- In conjunction with the Chair, providing support and challenge to the Group Chief Executive and other members of the senior management team, and building a working relationship with them, that enables this to happen effectively.
- Upholding high standards of integrity and probity and supporting the Chair and executive directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond.
- Working closely with the Chair, deputising for the Chair in their absence and acting as a sounding board, sharing with the Chair other representative duties and providing support as and when required.
- Acting as an intermediary for other directors as and when necessary.
- Being available to meet with any directors or other key stakeholders, including regulators, to understand their concerns and, in the event that contact with the Chair and/or Group Chief Executive is inappropriate or has failed, to present their views to the Board as a whole.
- Leading the annual performance evaluation of the Chair, meeting with the non-executive directors (without the Chair or executive directors present) for this purpose, ensuring that views of the executive directors are also taken into account.

Corporate Governance Report (continued)

Group Chief Executive
Stuart Haire

Responsibilities

- Delivering the strategy for the Group as agreed by the Board.
- Ensuring the prudent day-to-day management of all Group businesses.
- Providing leadership and direction to, and developing the vision and strategy of, the Group.
- Communicating the purpose, vision, strategy and performance of the Skipton Group to members, colleagues, regulators and other stakeholders.
- Building and leading an effective Group Executive team to manage Group businesses in the longer-term interests of the Society's members.
- Ensuring that effective succession and development plans are in place and implemented for all key Executive roles.
- Leading the Group Executive Committee to successfully deliver agreed plans, objectives and targets within the Board agreed appetite for risk.
- Monitoring the effective implementation of policies and procedures for the induction, training and on-going development of all individuals performing designated senior management functions on behalf of the Group.

Conflicts of interest

The Society's directors are required to comply with the Board Conflicts of Interest Policy. The policy gives effect to various legal and regulatory requirements on the Society in relation to conflicts of interest and aims to ensure that directors do not assume roles which would conflict with their obligations as a director of the Society. Prior to appointment, prospective directors must disclose any actual or potential conflicts of interest that may prevent them from taking on an appointment with the Society.

In addition, directors must seek approval from the Chair and the Group Secretary and General Counsel before committing to any additional external appointment. Where such approval is sought, the director must confirm the existence of any potential or actual conflicts, that the role does not exceed the regulatory limits on directorships and provide assurance that the appointment will not adversely impact their ability to continue to fulfil their role as a director of the Society.

In accordance with their duties as directors, each director is also obliged to notify the Board of any actual or potential interest that they have in any matter to be considered at a meeting. If any potential conflict does arise, the Board Conflicts of Interest Policy permits the Board to authorise it, subject to any conditions or limitations as it may deem appropriate. Such instances are recorded in the minutes of the relevant meeting.

Induction and professional development

On appointment, new directors receive a comprehensive and tailored induction covering the Group's businesses and regulatory environment. Directors from non-banking backgrounds receive specific training on the capital and liquidity regimes governing the Society's operations. In line with the Code, directors have access to the necessary resources to maintain and update their knowledge and capabilities. In addition, each director undergoes an annual "fit and proper" assessment in compliance with regulatory requirements, which includes competence and capability. Training and development needs are reviewed regularly and addressed through external seminars and interactive Board training sessions led by internal and external specialists. During 2025 training has been delivered on employment law, climate risk, model risk management and the resolvability assessment framework. Non-executive directors are encouraged to attend one group subsidiary board meeting per year, and to engage with members of the Group Executive Committee to demonstrate support and to undertake visits to subsidiaries, branches and departments.

Directors have access to the Group Secretary and General Counsel for advice on all corporate governance matters and to ensure that Board procedures are followed. The appointment and removal of the Group Secretary and General Counsel is a matter reserved to the Board.

Directors also have access to independent professional advice, if required, at the Society's expense and benefit from appropriate liability insurance cover.

Corporate Governance Report (continued)

Independence

No non-executive directors have any direct business relations with the Society or any of its subsidiaries or have any personal or family ties with any of the organisation's advisers, other directors, or senior employees. The Board considers all the non-executive directors to have been independent at the time of their appointment and to have continued to be so in accordance with the criteria set out in the Code. As Chair, I can confirm that I am independent and have no conflicting relationships or circumstances that might affect my judgement on Group or Society matters.

Time commitment

One of the criteria which the Board takes into consideration when recruiting a non-executive director is their ability to commit sufficient time to take on the position. In addition, throughout their term of office directors are required to inform the Chair in advance of any other positions that they wish to take up so that the time commitment and any potential conflict of interest can be considered.

Role	Expected annual time commitment
Chair	80 to 100 days
Senior Independent Director & Deputy Chair	As required to fulfil the role - minimum of 30 to 36 days
Non-executive Directors	30 to 36 days
Committee Chairs	**Expected monthly commitment***
Board Audit Committee	2 to 2.5 days
Board Change Committee	1.5 to 2 days
Board Remuneration Committee	2 days
Board Risk Committee	3 to 3.5 days

*Monthly commitment relates to months in which there is a committee meeting. It is in addition to the annual commitment for Non-executive Directors.

Board and Committee membership attendance record

The attendance of directors at scheduled Board and committee meetings during the year is set out below:

	Scheduled Board	Board Audit Committee	Board Change Committee	Board Nominations Committee	Board Remuneration Committee	Board Risk Committee	NED Remuneration Committee
Gwyn Burr	11 of 11			4 of 4			5 of 5
Paul Chambers	11 of 11						5 of 5
Iain Cummings	11 of 11	5 of 5	4 of 4	4 of 4		6 of 6	
Steven Davis	11 of 11			4 of 4	8 of 8		
Hasintha Gunawickrema	10 of 11			2 of 4		4 of 4	
Stuart Haire	11 of 11						5 of 5
Denis Hall	10 of 11	5 of 5		3 of 4		6 of 6	
Heather Jackson	11 of 11		4 of 4	4 of 4	8 of 8	6 of 6	
Graham Lindsay[2]	5 of 6	3 of 3	3 of 3		3 of 3		
Andrew Bottomley[3]	3 of 3						1 of 1
Mark Lund[4]	3 of 3	2 of 2			4 of 4		
Philip Moore[5]	3 of 3	2 of 2				2 of 2	

Notes

1. Where directors are not available to attend meetings, they still receive all papers and provide feedback as appropriate.
2. Graham Lindsay was appointed to the Board on 19 May 2025.
3. Andrew Bottomley resigned from the Board on 28 April 2025 .
4. Mark Lund resigned from the Board on 28 April 2025.
5. Philip Moore resigned from the Board on 28 April 2025.

Corporate Governance Report (continued)

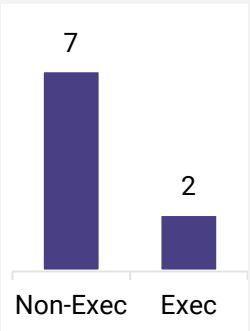
Composition, succession and evaluation

Board Composition

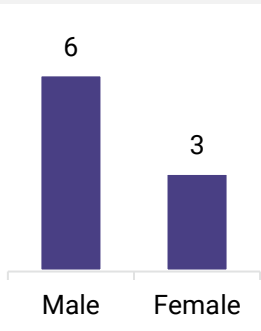
Under the Society's Rules, the Board must comprise no more than 15 and no less than six directors and, under the Code, at least half of the Board should comprise non-executive directors. At 31 December 2025, the Board comprised the Chair, six other independent non-executive directors and two executive directors. This composition is designed to be able to meet the needs of the Group and allow for appropriate and efficient operation of the Board's committees. Details of the Society's directors are set out in the Board of Directors section.

Non-executive directors Mark Lund and Philip Moore, and executive director Andrew Bottomley stepped down from the board at the 2025 AGM. Graham Lindsay was appointed as Senior Independent Director and Deputy Chair from 19 May 2025. An independent recruitment search firm, Russell Reynolds, which has no connection to the Society or any individual directors, assisted in the recruitment of Graham Lindsay.

The diagrams below set out the current composition of the Board in respect of tenure, age, gender and the number of executive and non-executive directors.



All Directors (9)



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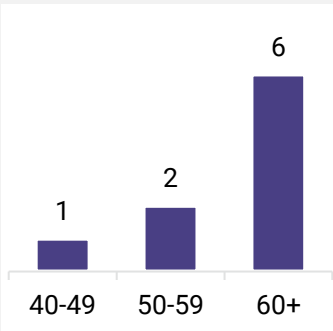

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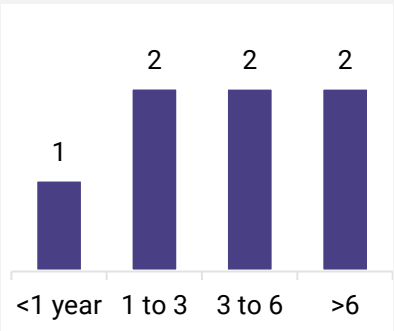

Non-Executive Directors Only (7)

At 31 December 2025, three members (33%) of the Board were female. The Society is a signatory to the Women in Finance Charter, which underlines the Board's commitment to gender equality. Harnessing the benefits of diversity is a key consideration in all new recruitment to the Board.

As Chair, I will continue to review the size and composition of the Board and its committees regularly, in conjunction with the Board Nominations Committee, to ensure that they are optimally resourced and refreshed at appropriate intervals. Our Board Composition Policy is available on the Society's website.

Appointments to the Board and its committees and at Executive level

The Board Nominations Committee (NomCo), comprising all the Society's non-executive directors and chaired by me, leads the process for Board and Group Executive Committee appointments and succession planning and is also responsible for non-executive and executive director appointments across the key group companies.

Appointments to the Board, its committees and to the Group Executive Committee are made by the Board on the recommendation of NomCo, in consultation with relevant committees' chairs and, where appropriate, group company boards. All appointments are based on merit. The Board considers all aspects of diversity when reviewing the composition of the Board, its committees and the Group Executive Committee. Copies of the letter of appointment for each of the non-executive directors are available for inspection on request from the Group Secretary and General Counsel.

Succession planning remains a key priority. NomCo conducts an annual review of the Board's structure, size, and composition to ensure the right balance of skills, knowledge, and experience aligned to the Group's activities. This review considers both short- and long-term requirements for delivering the Group's strategy, taking account of strategic priorities and evolving customer behaviours.

Corporate Governance Report (continued)

In Q2 2025, NomCo undertook an internal Board effectiveness evaluation review and completed a Board Skills matrix. Board composition was also reviewed at the Q4 2025 NomCo meeting.

Succession planning covers both planned and unforeseen events. NomCo reviewed arrangements for senior Executives and their direct reports, incorporating diversity considerations. Plans ensure that individuals with potential receive appropriate development opportunities and that robust contingency measures are in place. Succession planning for the Board was also considered.

Tenure, election and re-election of directors

The Society's Rules require that all directors stand for re-election annually. Non-executive directors are generally appointed for an initial period of three years and, whilst expected to serve for six years, this may be extended to nine years in total.

All Society directors are subject to election following their appointment and annual re-election by our members at the AGM. Details of each individual director's role and experience are provided in the booklet accompanying the Notice of AGM sent to all qualifying members each year.

As mentioned earlier, the Board is currently recruiting a new Board Risk Committee chair as the current chair, Denis Hall, will reach the maximum tenure recommended by the Code in March 2026. We anticipate that the new Board Risk Committee chair will be appointed during the summer of 2026 and will stand for election at the 2026 AGM.

Board evaluation

The Board undertakes an annual evaluation of its own performance and that of its committees. An external review is undertaken at least every three years. The outcome of the most recent external review, undertaken by Claire Chalmers Ltd in 2023, was considered by the Board in February 2024. The recommendations informed a board effectiveness action plan.

The directors participated in an internal board performance review of 2024 using anonymised questionnaires and which was discussed at the NomCo meeting in Q2 2025. All directors engaged fully in the process.

The review confirmed that the Board and its committees continue to operate effectively, with high levels of engagement and expertise. Key areas for further development, such as enhancing workforce engagement and maintaining focus on board composition and subsidiary oversight, were incorporated into the action plan. Progress has been monitored in 2025 and will continue to be overseen by the Board.

Individual review

Individual non-executive directors are evaluated annually on a one-to-one basis by the Chair. Executive directors are evaluated by the Group Chief Executive against agreed performance targets for their areas of responsibility and their own personal performance. The Chair evaluates the Group Chief Executive's performance whilst the Deputy Chair and Senior Independent Director leads the Board evaluation of the Chair's performance. All reviews are documented and conducted at least annually.

Remuneration

Details relating to directors' remuneration are contained in the Directors' Remuneration Report.

Directors' service contracts and notice periods

The executive directors are engaged on rolling service contracts which can be terminated by either the Society or the director giving one year's notice. Unless notice to terminate is given by either party, the contracts continue automatically.

All non-executive directors are provided with a letter of appointment on joining the Board and do not have service contracts. The Chair has a 6-month notice period and all other non-executive directors have a notice period of 3-months.

Audit, risk and internal control

Financial reporting

After appropriate enquiries, review of internal management reports and completion of the external audit, the directors consider that these Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for members to assess the Group's performance, business model and strategy. Further details on how this conclusion has been arrived at can be found in the Board Audit Committee Report.

The directors' responsibilities in relation to the preparation of the Group's Annual Accounts and a statement confirming that the Group is a going concern are contained in the statements of Directors' Responsibilities in the Directors' Report.

Risk management and internal control

The Board is responsible for overseeing the Group's strategy for managing risk and systems of internal control, which includes reviewing and approving its risk appetite on, at least, an annual basis. The executive directors and senior management are responsible for the continuous operation of an effective Group risk management framework based on a robust system of internal control.

Corporate Governance Report (continued)

Such systems are designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives.

The principal categories of risk confronting the Group are described in greater detail in the Risk Review, together with an explanation of the Three Lines of Defence framework adopted by the Group for managing risk.

The Board reviews the ongoing effectiveness of its internal control systems through a combination of processes including:

- Regular reports to the Board by the chairs of its various committees;
- Presentations to the Board by functional leaders relating to the strategy and performance of each business, summarising business performance, key business risks, issues and strategies;
- Regular reports to the Board, through the Board Audit Committee, from the Group Internal Audit function in respect of its independent audits of risk management processes and effectiveness of internal controls across the Group. The Group Chief Internal Auditor reports to the Chair of the Board Audit Committee and attends Board Audit Committee and Board Risk Committee meetings; and,
- Regular reports to the Board, through the Board Risk Committee, from the Group Risk function on the principal conduct, operational, credit, market and liquidity risks facing the Group and the strength of the controls in place to mitigate these.

The Group has a comprehensive system for reporting financial results to the Board. Each business prepares monthly management information with comparisons against budget which the Board reviews and challenges, as appropriate, where performance is not in line with expectations.

The Group has a number of central oversight and control functions, including Finance, Risk and Compliance, which establish and monitor the implementation of compliance and operational standards. Each of these functions is subject to periodic review by the Group Internal Audit function.

The Group Internal Audit function is responsible for independently reviewing and reporting on the adequacy and effectiveness of internal controls operated by management throughout the Group, thereby helping to evaluate and improve the effectiveness of risk management. Through its programme of work, approved by the Board Audit Committee, the Group Internal Audit function is able to provide assurance on control effectiveness.

To ensure sufficient focus is devoted to risk oversight, the Group Chief Risk Officer role is a senior Executive position and member of the Group Executive Committee. The Board Risk Committee and the Board receive regular reports from the Group Chief Risk Officer throughout the year and he attends all meetings of the Board Audit Committee and the Board. The Board is satisfied that it understands the risks confronting the Group and that senior management are taking appropriate action to mitigate these. More detail is provided on these in the Risk Review.

To further strengthen the standard of Group governance, the Group Risk Management Framework (GRMF) was implemented in 2025. The GRMF defines clear risk management roles and responsibilities, governance structures and risk reporting expectations across all Group businesses. The Board is satisfied that the Group maintained an adequate system of internal control during 2025, with a clear focus on risk management. This was carried out in a manner that met the requirements of the Code and good business practice generally.

In anticipation of the revised Provision 29 of the Code which comes into effect in January 2026, the Group has undertaken a programme of work in 2025 to further enhance and strengthen existing approaches. Further details are included within the Board Risk Committee Report.

Stakeholder engagement

The Board recognises the importance of engaging with its stakeholders and understanding their views and concerns. It has identified its key stakeholders as our members and customers; our colleagues; our suppliers; our banking counterparties; and our regulators.

Members and customers

The Society's membership comprises its savers, borrowers, holders of its Permanent Interest-Bearing Shares (PIBS) and non-corporate borrowers. A 'member' is different from a shareholder of a listed company, whose owners may include institutional shareholders.

The vast majority of the Society's customers are, therefore, its members. Against a backdrop of significant economic and political uncertainty, it is of the utmost importance that we understand our members and listen closely to their views. In recognition of this, the Society actively seeks feedback from members on all aspects of its activities and strives to respond quickly to points requiring action.

Corporate Governance Report (continued)

All our research is conducted by skilled Market Research Society registered practitioners, employed both in-house and through carefully selected partners (including award-winning research agencies).

Further, to help fulfil our aim of allowing meaningful participation, our Member Panel remained strong with over 21,000 panellists.

Over the last year, Panel feedback has helped us better understand topics such as longer-term mortgage products, life insurance, online security and intergenerational wealth.

We were able to make various improvements in 2025 that have benefitted our members.

Making Money Work Harder

- We expanded our member exclusive savings range further, giving members access to exclusive savings rates. Throughout 2025 we saw over 90k accounts opened.
- Alongside our member exclusive range, we continued to offer competitive savings rates across the entire range and as at 31 December 2025 we paid 0.68% above market average on all our savings rates.
- We continued our support for members, through a My Money Review or Enquiry where our skilled colleagues provide access to free advice to members so that they can better understand the savings and investment choices available to them and make clear, informed decisions; helping their money work harder.
- We created a free Stocks & Shares ISA advice product exclusively for members.
- We are one of a small number of providers that give our members more choice in how they split their current year ISA subscription allowance across multiple Cash ISA accounts.
- We continue to be the largest high street provider of the Lifetime ISA, a product designed to give a boost to first-time buyers saving for a deposit. We've enabled bonus payments from the Government of over £45m in 2025.

Helping People Have a Home

- We are here to help more people than ever have a home and have continued to innovate to make this a reality.
- We continue to offer our Track Record product range and make it available to more first-time buyers. We also offer mortgages on properties bought through Government Schemes including Shared Ownership and LIFT, as people continue to need a variety of solutions to take their first step onto the ladder.
- We recognised first-time buyers getting the keys to their first home by gifting over 20,000 Home Mover Boxes, containing a range of useful household items.
- Helping homeowners and landlords to reduce their carbon footprint remains a priority for us and we understand that the first step is access to expert guidance. That's why we continue to offer free EPC+ reports to all our members.
- This year has also seen us complete a full retrofit on a Society owned property in Skipton with a view to supporting our customers in understanding the practicalities of installing carbon-reducing measures in their own homes. We also continue to use our findings to influence policy makers.

Making Membership Matter

- Our colleagues sent gifts to more than 2,000 members to mark special occasions or times of need.
- We actively invited members to participate in shaping our business, and in 2025 60,647 members exercised their voting rights in the AGM, which also gave members the opportunity to select Refuge as our charity partner.
- We developed new products and functionality to suit our customer needs and enhanced communications to members ahead of product maturities.

The Society has continued to achieve extremely high levels of net member satisfaction across Homes and Money, scoring 90% in 2025.

As a mutual organisation it's important for us to be transparent in sharing our member feedback. This has been demonstrated by our continued pursuit to gain public reviews from members via our partnership with Trustpilot. Since integrating this with our existing ongoing research programme towards the end of 2020, we have maintained a strong rating. This was 4.2 stars out of 5 as at 31 December 2025.

Corporate Governance Report (continued)

Our colleagues

It is important to us that we have a thorough understanding of our colleague's views regarding their experience of working at the Society and we do this in a number of ways – through team meetings, regular pulse surveys, employer review websites, listening sessions and independent assessments.

In 2025 we formally introduced "employee Net Promoter Score" as a robust method to assess colleague engagement levels; including reviewing over 50,000 comments as part of written feedback submitted in our pulse surveys.

We have built on our work in 2024 and continued to evolve our approach to colleague listening and involvement during 2025, focusing more on developing our culture and ways of working. The Behaviours Framework continues to be incorporated into our strategic communications, leadership definition, performance management and approach to colleague recognition (playing a central part in our annual colleague recognition awards).

Part of our evolving approach to colleague listening and participation is the desire to influence the large and small details that form part of the everyday colleague experience. In terms of the large details, we have a programme to transform our technology, customer and colleague journeys where we are directly engaging with colleagues on how we build our systems and processes. As part of our Transformation Programme, we actively involve colleagues in testing the customer engagement platform, asking them to be critical and find what worked and what we can improve on.

In terms of the smaller but important details, additional emphasis has been placed on leaders listening to their teams for feedback and to act upon this locally, empowering both leaders and colleagues. We will continue to use colleague feedback to inform our work, further enhancing the way we engage with our colleague base.

In line with the Code's requirements, the Board appointed non-executive director, Steven Davis, to be the director responsible for providing a further avenue for the voice of our people to be heard at the Board table. This role also helps to identify cultural trends, risks and opportunities; strengthen trust and transparency and drive better decision making. In 2025, he held focus groups with customer-facing colleagues to understand their views, took part in call listening sessions and met with senior leaders.

Together with regular personal communications from members of the Group Executive Committee in the form of videos, we have also continued to hold quarterly Strategic Updates where colleagues can ask questions of the Group Chief Executive and the Group Executive Committee regarding our direction of travel.

Suppliers

The Group closely monitors all its business relationships with suppliers, on an ongoing basis, assessing any risk of an adverse impact on our members, customers, our people and the environment in which we operate as a result of these relationships, or as a result of our policies.

In 2025, we implemented an enhanced supplier governance and assurance framework to strengthen the oversight and relationships we have with our suppliers. As part of this framework we issue an annual, online, anonymous questionnaire for completion by suppliers to assess our performance as a customer. The topics covered included how timely and accurate we are when paying invoices, if our corporate responsibility values are clear and views on whether we live these, strength of relationships and comparison of our approach to other clients. Previous feedback has been very positive, and the latest survey was issued to suppliers in Q4 2025.

As part of our focus on sustainability, the Group is clear regarding the selection of new firms aligning to our expectations and sustainability goals. We continue to support our existing supply chain to achieve better ESG outcomes using data from our ESG assessment platform.

Regulators

Fostering a positive relationship with our regulators is a key priority for the Board and senior management team, supported by continuous dialogue as appropriate. This involves not only the provision of prescribed reports but updates from the senior management team on matters we believe should be drawn to our regulators' attention. The Board sees it as important that regulatory bodies are kept up to date with strategic and operational developments within the Group and that they maintain ongoing confidence in the Board and management team.

Banking counterparties

Senior Executives and our Treasury team hold meetings with banks and debt investors, where appropriate, to update them on the Group's performance and respond to any questions. This is a long-established arrangement which continues to work well.

Corporate Governance Report (continued)

Whistleblowing (Speak Out)

The Society has arrangements in place to ensure that colleagues can speak up and raise concerns they might have confidentially and anonymously, if they prefer. Concerns can be reported via Safecall, an independent third-party service engaged by the Society. All concerns raised are investigated and addressed appropriately. The Society is committed to ensuring that no individual suffers any detrimental treatment for speaking up.

Training on the Speak Out (whistleblowing) process is provided annually to all colleagues and on induction for new joiners. Each major business within the Group maintains its own whistleblowing policy. The Board's commitment to whistleblowing is reinforced by the appointment of a non-executive director as Speak Out Champion. This role is held by Iain Cummings, who chairs the Board Audit Committee.

The Speak Out Champion oversees the integrity, independence and effectiveness of whistleblowing policies and procedures across the Society and the Group, including arrangements for protecting whistleblowers against detriment. An annual report on the effectiveness of whistleblowing systems and controls is presented to the Board.

The Annual General Meeting (AGM)

Each year the Society gives all eligible members at least 21 clear days' notice of its AGM. At the meeting, the Chair, the Group Chief Executive and other members of the Board report back to members on the previous year's performance and the main developments across the Group. Members have the opportunity to raise questions and put forward their views. All directors normally attend the AGM, unless their absence cannot be avoided, and are available for questions both during a 'question and answer' session in the meeting and on an individual basis before and after the meeting.

All eligible members are encouraged to vote at the AGM (either personally or by appointing a representative), although the voting form includes a 'vote withheld' option. Members can vote either at the AGM, by post or online. All votes are returned to independent scrutineers. A poll is called in relation to each resolution at the AGM and the results of the vote are published on the Society's website and in branches. As a minimum, the Society's members at the AGM are asked to vote on the Society's Annual Report and Accounts, election or re-election of all Directors, appointment or re-appointment of the external auditor and to receive the Directors' Remuneration Report. At the 2025 AGM members were also asked to vote on the advisory resolution to approve the Directors' Remuneration Policy.

I am pleased to report that no resolution received less than 92% support from members at the 2025 AGM.

Board priorities in 2026

Together with the senior leadership team, the Board will continue to focus on the delivery of the Group's strategy in 2026 through our Corporate Plan. Other priorities for the Board in 2026 include:

- Continuing to strengthen Group-wide oversight and governance arrangements, with a particular focus on readiness to comply with revised Provision 29 of the Code which requires boards to make a declaration on the effectiveness of their material internal controls;
- Approving the Group's approach to managing climate-related risks, and providing oversight of the approach to delivery;
- Maintaining a clear focus on delivering excellent customer outcomes, supported by continued oversight of Consumer Duty compliance;
- Maintaining an awareness of geopolitical and economic risks and assessing the potential impact of those risks on members and the communities served by the Group;
- Continuing its oversight of the Society's and the Group's change programmes, ensuring effective delivery and the Group's ability to optimise opportunities arising from technology.

Conclusion

In summary, with the exception for the matters explained at the beginning of this report, I believe that the governance arrangements operated by the Group align with the Code's requirements and have enabled the Board to exercise effective oversight of business performance, regulatory requirements and delivery of our customer proposition.

Signed on behalf of the Board:

G Burr

Gwyn Burr

Chair, Skipton Group
17 February 2026

Board Audit Committee Report

Skipton Group

Board Audit Committee Report

Dear Member,

On behalf of the Committee, I am pleased to present this year's Board Audit Committee Report, which provides an overview of how we, as a Committee, have discharged our responsibilities, setting out the significant issues we have reviewed and concluded on during the year.

The report focuses mainly on the following three areas:

- The role and responsibilities of the Committee;
- The main activities of the Committee during the year; and
- A review of the effectiveness of the Committee.

Iain Cummings,
Chair of the Board Audit Committee

Membership and attendees

The members of the Board Audit Committee during the year were:

Iain Cummings	Non-Executive Director (Chair)
Denis Hall	Non-Executive Director
Graham Lindsay	Non-Executive Director and Senior Independent Director

The Committee is comprised of three members, all of whom are independent non-executive directors. Graham Lindsay joined the Committee from 19 May 2025. Mark Lund and Philip Moore stepped down from the Committee at the 2025 AGM.

The Board is satisfied that the composition of the Board Audit Committee includes non-executive directors with recent, relevant financial experience and sufficient understanding of the financial services sector to provide appropriate challenge to management. The relevant experience of the members of the Board Audit Committee is set out in the Board of Directors section.

In terms of good governance and to ensure holistic oversight, I am also a member of the Board Risk Committee (as is Denis Hall).

Meetings

The Committee held five scheduled meetings during 2025 aligned to our financial calendar and reporting dates. The attendance of members at these meetings is set out in the Corporate Governance Report.

The Committee also held private discussions during the year with the external auditor Ernst & Young LLP (EY), the Group Chief Financial Officer, the Group Chief Risk Officer, the Group Chief Internal Auditor and the Chief Financial Officers of the Group's subsidiaries, to provide an opportunity for any relevant issues to be raised directly with Committee members.

In addition to Committee members, others who regularly attended meetings (by invitation) include the Chair of the Board, the Group Chief Executive, the Group Chief Financial Officer, the Director of Group Finance, the Group Secretary and General Counsel, the Group Chief Risk Officer, the Head of Compliance, the Group Chief Internal Auditor and external auditor representatives.

Role and responsibilities of the Committee

The responsibilities of the Committee are delegated by the Board and are set out in its written terms of reference which are available on our website at skipton.co.uk/about-us/governance. These were reviewed and approved in May 2025 and are in line with the provisions of the Financial Reporting Council's (FRC) 'Guidance on Audit Committees' which was last updated in April 2016 and have

Board Audit Committee Report (continued)

regard to the FRC's Audit Committee and the External Audit: Minimum Standard.

Our primary responsibilities are:

- To monitor the integrity of the Group's financial reporting process, by reviewing, challenging and recommending the Group's annual and interim financial statements to the Board for approval; and reviewing, challenging and approving any formal announcements relating to the Group's financial performance. We also review the appropriateness and application of our accounting policies, the impact of any changes to them; and the significant estimates and judgements in relation to the financial statements;
- To review the effectiveness of the Group's internal controls, including financial controls and risk management systems;
- To review the effectiveness and independence of the Group Internal Audit and Compliance Monitoring functions and the performance of the Group Chief Internal Auditor. This includes considering the adequacy of internal audit's resources, its periodic audit plans, performance against these plans, their material findings and delivery of actions to address them;
- To provide advice to the Board on whether the Annual Report & Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for members to assess the Group's strategy, business model and performance; and
- To provide oversight of the external audit process by monitoring the relationship with the external auditor, agreeing their remuneration and terms of engagement, monitoring their performance, objectivity and independence. To ensure the effectiveness of the external audit process, we also review their approach to our audit, their levels of materiality and their reports.

These responsibilities reflect key provisions outlined in the Financial Reporting Council's (FRC) Audit Committees and the External Audit: Minimum Standard.

Activities of the Committee during the year

During 2025 our work fell under three main areas, in line with our responsibilities, as follows:

a) Internal controls and risk

The Group recognises the importance of good systems of internal control in the achievement of its objectives and the safeguarding of its assets and the interests of its members. Good internal controls also facilitate the effectiveness and efficiency of operations, help to ensure the reliability of internal and external reporting and assist in compliance with applicable laws and regulations.

The Group operates in a dynamic business environment and, as a result, the risks it faces change continually. Management is responsible for designing the internal control framework to ensure thorough and regular evaluation of the nature and extent of risk, and the Group's ability to react accordingly. Management is also responsible for implementing the Board's policies on risk and control, noting that all employees are responsible for internal control as part of their individual objectives.

Further details of the Group's risk management practices are provided in the Risk Review.

Through the Committee, the Group Internal Audit function provides independent assurance to the Board on the effectiveness of the internal control framework. Group Internal Audit derives its authority from the Board, through the Board Audit Committee, and has unrestricted access to all Group records, physical properties, and personnel as required for the effective delivery of audit activity.

The information received and considered by the Committee during 2025 provided assurance that there were no significant control failings that would lead to a material impact on the Group's financial statements.

Group Internal Audit is supported by external co-source partners who provide specialist technical support when required. The Group Chief Internal Auditor reports directly to me to maintain their independence from Executive Management. As a Committee we are responsible for ensuring that Group Internal Audit has adequate skills and resource levels that are sufficient to provide the level of assurance required.

The Board Audit Committee is also responsible for approving the annual budget of Group Internal Audit and for approving its annual plan of work. This is prepared on a risk-based approach reflecting input from management and the Committee.

We review reports produced by Group Internal Audit that detail material findings, recommendations and the status of management actions in response. Group Internal Audit also verify the completion of management actions using a risk-based approach and updates the Committee on progress.

During the year, key areas reviewed were as follows:

- The governance framework and key controls around significant prudential and financial risk, including capital and liquidity management;

Board Audit Committee Report (continued)

- Key controls around cyber security, operational resilience and information technology;
- Key controls to ensure regulatory compliance in areas including, model risk management Consumer Duty and responsible lending for example; and
- A number of specific areas of internal control in the Group's subsidiaries, including key change projects.

We monitor and assess the role and effectiveness of the Group Internal Audit function in the overall context of the Group's risk management systems. The Committee assesses the effectiveness and independence of Group Internal Audit annually,-and this is reported to and discussed at a meeting of the Committee.

We also review the results of Group Internal Audit's Quality Assurance and Improvement Programme annually and oversee progress against Group Internal Audit's Strategic roadmap. Group Internal Audit's performance is monitored by the Committee against a balanced mix of measures, covering Quality, Delivery, Talent and Innovation.

The Committee is satisfied that, throughout 2025, Group Internal Audit was appropriately resourced to carry out its responsibilities, was independent, and that it continued to perform effectively.

The Committee also has oversight responsibility for the Society's Compliance Monitoring function that provides second line assurance over conduct risk on activities regulated by the FCA, as well as assurance over financial crime and data protection. The Compliance Monitoring Plan includes control reviews, shorter focused reviews and customer outcomes testing which includes, but is not limited to, investment, pension, mortgage and protection advice, credit management, complaint handling and post-sale customer outcomes. Consideration is given to Consumer Duty as part of all relevant reviews and consumer duty specific reviews are also included in the plan where relevant. The Compliance Monitoring function's plan of work was approved by the Committee and the outputs reported to the Committee, together with progress updates on management's implementation of actions to address the findings.

As part of the external audit process, the Society's auditor provides us with reports on the results of their testing of the effectiveness of internal controls.

b) Financial reporting

The Committee considered the financial information published in the Group's annual and interim financial statements and the accounting policies adopted by the Group, presentation and disclosure of financial information and the key estimates and judgements made by management in preparing the financial statements. The Committee also considered and approved the Group's Pillar 3 disclosure which is available at skipton.co.uk/about-us/pillar-3-disclosure.

The Directors are responsible for preparing the Annual Report & Accounts. At the request of the Board, we considered whether the 2025 Annual Report & Accounts were fair, balanced and understandable and whether they provided the necessary information for members to assess the Group's position and performance, business model and strategy.

This assessment included:

- Review of reports from management on significant accounting matters and judgements and challenge as to whether these treatments were appropriate;
- Review of the continued appropriateness of the Group's accounting policies;
- Review of the use of models and their appropriateness for determining values within the financial statements;
- Consideration of the Group's reporting processes and the robustness of oversight procedures;
- Consideration with management of leading reporting practices and recommendations, including those published by the FRC and major audit firms;
- Consideration of the main events during the financial year and how these are reported in our financial statements;
- Review of the alternative performance measure of underlying profit before tax (defined in the Financial Review), to ensure compliance with our policy on these metrics and fair presentation;
- Reviewing drafts of the financial statements and discussion of key matters; and
- Consideration by the Committee of comments raised by our external auditors and actions taken by management to address these.

Board Audit Committee Report (continued)

We paid particular attention to matters we considered to be important by virtue of their impact on the Group's results, and particularly those which involved a high level of complexity, judgement or estimation by the Board.

The key areas of estimate and judgement that we considered in reviewing the 2025 Annual Report & Accounts are set out below:

Significant matter	Committee action taken
Impairment of financial assets	The Committee has monitored loan impairment provisions, taking account of the requirements of IFRS 9 Financial Instruments. During the year, the Committee undertook the following work in relation to impairment: • Reviewed and challenged the critical judgements made by management, including the appropriateness of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) models. • Assessed management's approach to Significant Increase in Credit Risk (SICR), staging criteria, and the triggers used for movement between Stage 1, Stage 2 and Stage 3. • Considered the selection and weighting of forward-looking macroeconomic scenarios, including the severity of downside scenarios and revisions to reflect changes in the external environment. • Considered the impact of key economic assumptions within the Group's loan impairment models on the level of provisions made and the relevant disclosure in the Accounts. • Examined and challenged the assumptions adopted, including key sensitivities of the model, and scrutinised reports produced by management on the operation of the impairment framework, including controls over data quality, model performance, and monitoring of model limitations. • Challenged the rationale and evidence supporting any Post Model Adjustments (PMAs), ensuring that adjustments were transparent, well-governed and reserved only for areas of model uncertainty. • Assessed the risk recognised in respect of impairment relating to the SIL loan book. • Monitored the level of impairment held against treasury assets under IFRS 9, including scrutinising reports produced by the Asset & Liability Management function. We consider the level of impairment held against these assets to be appropriate. Based on the work performed throughout the year, the Committee is satisfied that the impairment of financial assets, has been prepared on an appropriate basis, that the key judgements, together with post model adjustments that have been applied, are reasonable, and that the related disclosures in the Annual Report and Accounts are fair, balanced and understandable.

Board Audit Committee Report (continued)

Significant matter	Committee action taken
Fair valuation of the equity release portfolio	The Group's equity release portfolio is closed to new business. It continues to be measured using an internally developed fair value model based on discounted future cash flows. Key assumptions—such as mortality, voluntary redemption behaviour, house price growth, RPI, non-negative equity guarantee (NNEG) costs and illiquidity premiums—remain consistent with the prior year and are subject to established model governance and second-line oversight. The Group hedges the interest rate and inflation risk arising from its equity release portfolio through the use of derivatives which are also valued on a discounted cash flow basis. Due to their long-dated nature, changes in assumptions can significantly impact valuations. As the underlying mortgage portfolio is not held at amortised cost under IFRS 9, hedge accounting cannot be applied. Both the equity release portfolio and the swaps are held at fair value through profit and loss. There is some natural offsetting between the changes in value of the portfolio and the derivatives, but this is not perfect, partly due to the different discounting requirements. During the year, the Committee undertook the following work in relation to the fair valuation of the equity release portfolio: • Reviewed management's supporting papers and assumptions. Considering the specific characteristics of this portfolio, and general macro-economic indicators, the Committee considers that the inputs and assumptions, and therefore the valuation of the equity release portfolio is appropriate. • Reviewed the control framework, assumptions, and key sensitivities disclosed in Note 1v) to the Accounts and is satisfied that amounts recognised in the Income Statement are fairly stated and that the valuations of the derivatives are appropriate. • Assessed the sensitivity of the fair values to changes in key assumptions and confirmed that the sensitivities disclosed in the Accounts are appropriate and fairly presented.
Defined benefit pension liability	The Group manages three funded defined benefit pension schemes, as presented in Note 36 to the Accounts. The Committee has examined and challenged the pension scheme assumptions adopted in these Accounts and is satisfied that these are reasonable and appropriate; this included consideration, in particular of the accounting/reporting impact of the Skipton scheme buy-in and the associated loan to the Scheme from the Society.
Impairment of estate agency right-of-use assets	The Committee has considered the risk relating to the impairment of estate agency right-of-use assets. The Committee reviewed assessments prepared by management and the results of impairment testing performed where indicators of impairment exist. The Committee is satisfied that the level of provision held against right-of-use assets is appropriate.
Revenue recognition within the estate agency division	The Committee has considered the risk relating to the recognition of revenue within the estate agency division, as described by the external auditor within the Independent Auditor's Report. The Committee reviewed reports prepared by management and by EY regarding the effectiveness of key controls over the revenue recognition process. The Committee also considered the results of external audit testing performed in this area, including testing performed in previous years, which has not identified any evidence of material misstatement or management override in this respect. The Committee is comfortable that this matter has been appropriately considered and disclosed within these Accounts.

Board Audit Committee Report (continued)

Significant matter	Committee action taken
Revenue recognition relating to effective interest rate accounting	Interest income on the Group's mortgages is measured under the effective interest rate method, as explained in Note 1f) to the Accounts. This method includes an estimation of mortgage product lives. The Committee reviewed the reports prepared by management to support these estimates and is satisfied with the conclusions reached in this respect.
Derivatives and hedge accounting	The Group uses fair value and cash flow hedge accounting to manage its interest rate and foreign currency risk. The Committee has examined and challenged the valuation of derivative financial instruments and is satisfied that these are reasonable and appropriate.
Going concern and longer-term viability review	The Committee performed the following: • Reviewed and confirmed the appropriateness of the going concern assumption for both the Interim Accounts and the Annual Accounts, ensuring a consistent assessment approach across reporting periods. • Considered reports from key risk functions covering current and forecast liquidity, capital, and funding positions. • Evaluated the Group's principal risks, including credit, liquidity, operational, and conduct risks; Market developments; Social, economic, and political factors; and Climate-related risks. • Assessed the impact of relevant stress scenarios on the Group's financial resilience. Based on the above the Committee concluded that the preparation of the financial statements on a going concern basis remains appropriate. Additionally, the Committee performed the following in respect of the Group's longer-term viability statement in the Directors' Report: • Reviewed management papers and risk analyses supporting the Directors' Viability Statement. • Considered the Group's corporate plans, long-term financial resilience, and potential severe-but-plausible failure scenarios. • Determined that the likelihood of any scenario materialising that would threaten the Group's long-term viability is sufficiently low.

c) External Audit

The Committee assesses the effectiveness and independence of the external auditor annually following completion of their year-end audit, and this is reported to and discussed at a meeting of the Committee shortly thereafter. This assessment covered the external audit of the previous Annual Report & Accounts, and included consideration of matters such as:

- Any risks to audit quality that the external auditor identified;
- The key controls that the external auditor relied on to address any identified risks to audit quality, such as appropriate audit methodologies, training and quality control policies and procedures;
- The findings from internal and external inspections of the external audit and the audit firm;
- Whether the original audit plan was met;
- Openness and quality of communication between the external auditor and senior management;
- The skills and experience of the audit team and their understanding of the business;
- Whether an appropriate degree of challenge and professional scepticism was applied by the external auditor; and
- The proposed strategy to be used in the next audit, including the proposed level of materiality to be used.

Board Audit Committee Report (continued)

The Committee considered the results of this review and concluded that the external auditor had performed an audit of good quality and that they were sufficiently independent.

The Committee also reviewed and reaffirmed our policy on non-audit services which can be provided by our external auditors. The Committee reviews fees paid to the Group's auditor regularly and is satisfied that the level of non-audit fees paid to our external auditors complies with this policy and does not compromise their independence or objectivity. Details of the fees paid to EY for audit and non-audit services are set out in Note 7 to the Accounts; non-audit fees during the year represented 5.3% of total EY audit fees for the Group (2024: 5.4%). To further maintain auditor independence, the Group has processes in place regarding the employment of former employees of the auditor.

EY were appointed as external auditor following a competitive tender process and their appointment was approved by members at the AGM on 29 April 2019. EY were reappointed as the Society's external auditor at the 2025 AGM and the Audit Committee has recommended to the Board that they be approved for reappointment as external auditor at the 2026 AGM. The Committee continues to monitor auditor tenure to ensure compliance and best practice. The Committee also reviewed advisory and consulting fees paid to other firms which could be suitable auditors of the Group. This is done periodically to ensure that if a change of auditor is required, we have appropriate options.

The Committee has overseen the external audit process having regard for the FRC's Audit Committees and the External Audit: Minimum Standard, confirming auditor independence, transparency, and effectiveness.

We considered matters raised during the statutory external audit and the half year independent review and, through discussion with senior management of the business and the external auditor, concluded that there were no adjustments required that were material to the financial statements as presented

d) Other matters

Other matters considered by the Committee during the year include the following:

- Received and approved the Group Sustainability Report, Group Climate-Related Financial Disclosures and the Society's and SIL's Principles for Responsible Banking Self-Assessment Report;
- Conducted the annual review of the Speak Out (Whistleblowing) policy and received the annual whistleblowing oversight report;
- Received a progress update from Group Risk on activity to support adherence to the revised Provision 29 of the UK Corporate Governance Code; and
- Refined the approach to governance and oversight of subsidiary company's audit & risk committees.

Effectiveness of the Board Audit Committee

The effectiveness of the Committee was assessed as part of the most recent internal Board performance review the results of which were presented in April 2025 and which concluded that we operated effectively during the year.

Committee members undertake relevant training as part of their ongoing development and, periodically, the Committee as a whole receives training on current topics such as sustainability and climate-risk reporting requirements, sector challenges, regulatory developments, conduct risk issues and financial reporting 'hot topics' to ensure we remain effective in our role.

I Cummings

Iain Cummings

Chair of the Board Audit Committee
17 February 2026

Board Change Committee Report

Skipton Group

Board Change Committee Report

Dear Member,

On behalf of the Board Change Committee, I am pleased to present the Committee's annual report covering the role of the Committee and how it has discharged its responsibilities during 2025.

Heather Jackson,
Chair of the Board Change Committee

Members of the Board Change Committee

The Committee is comprised of three members, Iain Cummings, Graham Lindsay and I, all of whom are independent Non-Executive Directors with significant change management experience. Iain serves as Chair of the Board Audit Committee and is a member of the Board Risk and Board Nominations Committees and Graham, our Senior Independent Director for the Group, is a member of the Board Audit, Board Nominations and Board Remuneration Committees. I also serve as a member of the Board Risk, Board Nominations and Board Remuneration Committees. Together these arrangements ensure good interaction between the various committees of the Board.

The Committee was established by the Board during 2023 to oversee and govern the increasing scale and complexity of the Group's on-going change strategy.

During 2025 the Committee held four meetings. Attendance of its members at those meetings is set out in the Corporate Governance Report.

In addition to Committee members, other attendees (by invitation) included the Group Chief Executive, the Group Chief Information Officer, the Group Chief Financial Officer, the CEO Homes, the CEO Money and the Group Secretary and General Counsel. The Committee received regular reports directly from members of senior management across the Group responsible for delivering our change agenda. These included updates from Connells, SIL, Jade and SBF as well as the Society and Group functions.

Role and responsibilities of the Committee

The Committee seeks to ensure change is delivered as efficiently and effectively as possible and that the impact on members, customers and colleagues is positive and well handled.

The responsibilities of the Committee are delegated by the Board and are set out in our Terms of Reference which are available on our website at skipton.co.uk/about-us/governance.

The Committee's role is to provide guidance, challenge and advice to the Executive Team on behalf of the Board, to shape how change is delivered across the Group. The Change Portfolio is the programmes of work, systems and controls through which changes to our business are prioritised, coordinated and implemented. The Committee's primary responsibilities are:

- To oversee the alignment of the Change Portfolio with the technology, process and people strategies and be satisfied that the Change Portfolio supports the Group's strategic vision;
- To oversee the Change Portfolio priorities and methodology, including the capacity to resource and absorb change;

Board Change Committee Report (continued)

- Review of significant change proposals before presentation to the Board for approval;
- Review of assurance reports and management actions to address any findings;
- Scan the horizon for future industry trends and opportunities in technology that could impact or benefit the Group; and
- To oversee and challenge change initiatives including:
    - Progress and delivery, including risk management, benefits and outcomes;
    - Financial management, including spend and benefits delivery;
    - The overall approach, including 'lessons learned' when initiatives are completed;
    - Adequacy of resource, including appropriate levels of resourcing roles, responsibilities and skills; and appropriate use of data.

Activities of the Committee

Throughout 2025, the Committee has focused on:

- Ensuring the Change Portfolio aligns with the Skipton Group Corporate Plan, including future planning, delivered outcomes, and required investments. This ensures the change we execute builds to deliver the strategy set by the Board.
- Receiving updates from the Group Technical Council, such as capability frameworks and architectural models which helps ensure the architectural approaches taken maximise re-use, future-proofing and cross-Group opportunities.
- Promoting consistent approaches to change delivery through the introduction of a standardised Change Management Framework which supports regular assessment of progress, costs, effectiveness, and value. Additionally, we have increased the visibility of each Group Company's change portfolio as well as promoting the sharing of skills and knowledge, strengthening collaboration and accelerating value creation.
- Monitoring the Society's Digital Transformation Programme, with a strong focus on delivering member benefits, enhancing ease of use, and driving measurable impact. Notably, the Committee has overseen the successful rollout of our new Customer Engagement Platform, designed to significantly improve customer servicing. In addition, we have overseen the migration of the first cohorts of customers to our new mobile app, marking a key milestone in our digital journey.
- Enhancing quality of change initiatives by assessing member and colleague impacts, resource use, and incorporating post-implementation reviews and second and third-line inputs.
- Reviewing overall resourcing of change, including where we use third party partners; ensuring they are efficiently and appropriately adding value to our change work and delivering clear returns on investment. Additionally, we have also sought to ensure recruitment and training strategies maintain future-ready change capabilities.
- Overseeing robust and proportionate risk management that balances the urgency of change with the need to mitigate potential negative impacts, safeguarding both strategic objectives and operational stability, with a specific focus on cyber risk mitigation and other critical security considerations.
- Importantly in 2025 the Executive Team have worked to enhance tracking of benefits delivered, ensuring clear accountability for return on investment. This will remain a priority and receive ongoing focus throughout 2026.
- We have monitored progress on the Group's Data Strategy, delivering tangible benefits for members and colleagues, unlocking new insights, and capitalising on AI opportunities. The Skipton Group Home Affordability Index demonstrates our ability to leverage Group data alongside leading economic sources to provide a clear view of UK housing market trends.
- During every meeting, we consider the threats and opportunities of change which includes a horizon scanning topic on emerging technologies. In 2025 these were on: data usage, quantum computing, cybersecurity, and further AI opportunities, especially in mortgages.

Looking forward

Over the course of 2026, the work of the Committee will continue to evolve and will include:

- Considering the change and technology required to support the aims of the Group's Corporate Plan. Specifically, the Committee will oversee the delivery of major change initiatives, including:
    - Migration of the Society's customers to a new mobile app, coupled with improvements giving colleagues faster, clearer access to customer accounts - enabling quicker service and better customer interactions;

Board Change Committee Report (continued)

- The roll out of new technology across Connells' estate agency business to increase colleague efficiency and improve customer service; and
- Strengthening fraud prevention through faster and more secure customer identification processes within SIL and SBF.

- Continued review of the member and colleague impact from change alongside oversight of delivery, risk, financial management and implementation of change across the Group;
- Reviewing required Group capabilities, and the architecture, data and resource strategies for change across the Skipton Group and continuing to foster the sharing of Group skills and experiences to best effect; and
- Continuing to explore new industry and technology developments relevant to the work of the Committee and understanding how those developments can assist us to better serve our members in the future. These may include exploration of the use of Artificial Intelligence, Digital Currencies and Identity, Cyber Security and consideration of the future of Quantum Compute.

Conclusion

In fulfilling the above, we aim to ensure the change we make is in the best interests of our customers and colleagues now and in the future. On behalf of the Committee, this report highlights the work undertaken and underscores the importance of its future role.

H Jackson

Heather Jackson

Chair of the Board Change Committee
17 February 2026

Board Risk Committee Report

Skipton Group

Board Risk Committee Report

Dear Member,

As the Chair of the Board Risk Committee, I am pleased to present the 2025 Board Risk Committee Report. This report explains the risk management practices we operate at Skipton, and the key areas of focus for the Board Risk Committee through 2025.

Denis Hall,
Chair of the Board Risk Committee

In 2025, we further strengthened our Group Risk Management Framework to enable a more consistent, proactive approach to the identification, assessment, mitigation and ongoing management of risks. This included strengthening governance practices and improving oversight mechanisms to align with upcoming changes to the UK Corporate Governance Code.

Committee focus

In line with the Group Risk Management Framework, the Board Risk Committee has focused on the following areas during the year:

- **Liquidity management**, to ensure that the Group maintains a prudent liquidity position and is well placed to respond to the uncertain geopolitical environment, while preserving our diversified funding base.
- **Capital and MREL**, to ensure that the Group maintains sufficient capital resources to support our business strategy and potentially respond to a severe economic stress.
- **Cyber threats**, to ensure that the Group has effective tools, supported by a plan of continuous improvement, to reduce the impact of a potential cyber-attack. We remain alert to this risk given ongoing geopolitical tensions and recent high-profile attacks on UK firms.
- **Artificial intelligence**, to ensure we have appropriate risk oversight and capabilities to responsibly harness the power of AI.
- **Credit performance**, to ensure that the Group appropriately evaluates and balances risk and reward in a competitive mortgage market.
- **Conduct risk**, ensuring delivery of the Society's values and compliance with Consumer Duty, with a focus on achieving good outcomes and fair value for members and customers.
- **Operational resilience**, to ensure the Society and Group businesses can recover in a swift and organised manner in the event of an operational failure, providing a reliable and resilient service to members and customers.
- **Climate risk**, to ensure that the Group is responding appropriately and with purpose to the associated physical and transitional risks.

To assist the Board Risk Committee's deliberations, it receives regular reports from the Group Chief Risk Officer. These reports provide clarity on the key and emerging risks faced by the Group and direct the Committee's attention to those matters which the Risk Officer believes warrant further consideration.

Risk appetite

Day-to-day operation of the business naturally exposes the Group to a range of potential risks. To limit the level of risk accepted by the Group in the normal course of business, the Board has established a risk appetite. This is reviewed, at least annually, in the context of the prevailing environment in which the Group operates.

Board Risk Committee Report (continued)

Governance structure

To enable appropriate focus on risk matters, the Board has delegated oversight of risk management to the Board Risk Committee, although ultimate responsibility continues to reside with the Board which receives regular reporting to support its oversight of risk. In addition, the Board receives verbal updates from the Board Risk Committee Chair on key topics of discussion and any concerns.

The Board Risk Committee is supported by an Executive Risk Committee which is chaired by the Group Chief Risk Officer. This is the primary Executive body which meets regularly to oversee and monitor the key risks across the Group, including overseeing several specialist sub-committees addressing specific risk areas, such as credit, conduct, and operational risk.

At a Group business level, Connells, SIL and Jade operate their own Audit and Risk Committees which report directly to their respective boards. The Group Chief Risk Officer maintains oversight of all Group businesses in relation to risk management and control.

Membership and attendees

The members of the Board Risk Committee during the year were:

Denis Hall (Chair)	Non-Executive Director
Iain Cummings	Non-Executive Director
Hasintha Gunawickrema	Non-Executive Director
Heather Jackson	Non-Executive Director

Corporate Governance Code readiness

In anticipation of the revised Provision 29 of the UK Corporate Governance Code which comes into effect in January 2026, the Group has undertaken a programme of work in 2025 to further enhance and strengthen existing approaches.

This activity focused on review and refinement of our Group risk taxonomy to ensure this remains reflective of the changing risk landscape and business practices. We have also further strengthened our Risk and Control Self-Assessment process to embed a culture of risk ownership and continual improvement, supported by a strong understanding of our material control activities. Group-wide risk reporting has also been enhanced to provide a clear, aggregated view of current and emerging risks to the Board.

Group Risk Management Framework

The Group operates a formal Risk Management Framework that strengthens oversight, ensures consistent identification and mitigation of both emerging and known risks, and supports decision-making across the business.

This comprehensive framework is designed to enable delivery of the Corporate Plan in line with the Board's overall risk appetite. The framework defines the principal risks to which the Group is exposed along with governance expectations and roles and responsibilities for the management of these risks. The framework supports regulatory compliance, promotes proactive risk culture, protects members' interests and enables sustainable growth. It is underpinned by a clear 'three lines of defence' model with clearly defined roles and accountabilities:

The 'Three Lines of Defence' model

1 Line management

The first line of defence is formed by the frontline business areas and operational teams that own and manage risks directly. They are responsible for identifying, assessing and managing risks within their day-to-day activities, ensuring processes are followed, controls are effective, and issues are escalated promptly.

2 Group Risk function

The second line of defence comprises our Group Risk function and embedded risk teams, which provide independent oversight, challenge, and guidance to ensure risks are appropriately identified, assessed, and managed by the first line. The Board Risk Committee Chair safeguards the independence of the second line by ensuring it can exercise objective challenge without constraint.

3 Group Internal Audit

The third line of defence, provided by Group Internal Audit, is designed to provide risk-based independent assurance to the Board (through the Board Audit Committee) of the adequacy and effectiveness of control systems operating within the first and second lines in identifying and managing risk.

The Group is alert to emerging risks and regulatory changes. These are considered at each meeting of the Board Risk Committee and by the Group Chief Risk Officer on a day-to-day basis. Our reporting process provides the Board and Board Risk Committee with a robust continuous assessment of the principal risks and risk environment across the Group and enables it to challenge management on its mitigation plans in a timely manner.

Board Risk Committee Report (continued)

To meet the CRD V Pillar 3 requirements, the Group publishes further information about its exposures and risk management processes and policies on the Society's website skipton.co.uk.

Conclusion

The geopolitical and economic events that shaped 2025 are being closely monitored by the Group. Some economic uncertainty exists in the markets in which we operate, and whilst it may be difficult to predict the outcome of such uncertainty, I am confident that the Risk Management Framework operated by the Skipton Group enables it to identify, assess and manage the risks confronting it and support business sustainability. To underpin this, the Board Risk Committee will continue to promote a culture which views risk management not as an additional activity but as embedded in how the business is run.

D Hall

Denis Hall

Chair of the Board Risk Committee
17 February 2025

Directors' Remuneration Report

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Skipton Group

Directors' Remuneration Report

Dear member,

On behalf of the Board Remuneration Committee, I am pleased to share the Directors' Remuneration Report. This sets out the details of the Executive Directors' pay, incentives and benefits and the Non-Executive Directors' fees for the year ended 31 December 2025.

Our Directors' Remuneration Report for the year ended 31 December 2024, as well as our Directors' Remuneration Policy which applies until the 2028 Annual General Meeting (AGM), received strong support from our members at the 2025 AGM (with both receiving 92% of votes 'FOR') .

I would like to thank our members for their ongoing support.

Steven Davis,

Chair of the Board Remuneration Committee

The Committee and its advisers

The members of the Board Remuneration Committee are all independent Non-Executive Directors of the Society and include members of the Board Risk, Board Audit and Board Change Committees. The Committee during the year included the following Non-Executive Directors:

- Steven Davis, Non-Executive Director (Chair).
- Heather Jackson, Non-Executive Director (Chair of the Board Change Committee and member of the Board Risk Committee.
- Mark Lund, Non-Executive Director (member of the Board Audit Committee). Mark Lund stepped down from the Committee on 28 April 2025.
- Graham Lindsay, Senior Independent Director (member of the Board Audit Committee). Graham Lindsay joined the Committee on 19 May 2025.

In addition to Committee members, regular attendees at Committee meetings include the Group Chief People Officer, the Group Secretary and General Counsel, and PwC, our independent external consultants.

The Group Chair has a standing invitation to all meetings of the Committee. The Group Chief Executive, Group Chief Risk Officer and the Director of Reward and Governance attend meetings by invitation. The Committee met on eight occasions in 2025.

The purpose of the Board Remuneration Committee

- To determine, on behalf of the Board, the Directors' Remuneration Policy.
- To ensure that remuneration arrangements support and encourage desired behaviours and culture.
- To maintain policies for the Group which are compliant with applicable governing laws and regulations and aligned, where appropriate, to the remuneration expectations of the PRA and FCA and those set out in the UK Corporate Governance Code.
- To ensure appropriate governance of remuneration practices across the Group, which is defined as the Society and its subsidiary undertakings, including the following key businesses: Connells, SBF, SIL, and Jade; and to exercise effective oversight of these.
- To ensure that remuneration policies, principles and practices are appropriate, market competitive, compelling to new hires and fair and equitable to existing colleagues, to enable the Group to attract, retain and reward people with the right skills experience, knowledge and behaviours to support achievement of the Group's strategic objectives and the successful delivery of its long-term strategy and to promote long-term sustainable success.

Annual Statement

Amongst its other duties, the Board Remuneration Committee has responsibility for:

- **Setting the Remuneration Policy:** Defines and agrees remuneration policies and principles on behalf of the Board, ensuring they align with the Group's strategy, risk profile, values, regulatory requirements and long-term member interests.
- **Group Oversight and Compliance:** Ensures remuneration policies operate as intended and aligns with the Board Audit and Risk Committees to promote sound risk management.
- **Group-wide Risk-adjusted Remuneration:** Maintain robust processes for risk adjustment, considering risk appetite, capital, liquidity and overall performance. Reviews variable pay against performance targets and applies malus or clawback where appropriate.
- **Executive and Senior Pay Decisions:** Determines remuneration for the Society's Chair, executive directors, senior officers in Risk and Compliance and other Material Risk Takers and executive directors across the Group. Reviews and approves senior executive pay proposals recommended by the Group Chief Executive.
- **Service Contracts:** Sets the terms, objectives and content of Society executive directors and senior executive service contracts across the Group to ensure alignment with policy, regulation and best practice.
- **Exceptional Pay Reviews:** Reviews any pay structures or proposals that fall outside established remuneration principles.

The full terms of reference of the Board Remuneration Committee and the Remuneration Principles are available on request from the Group Secretary and General Counsel. The terms of reference are also available online at skipton.co.uk/about-us/governance.

We have set out this Directors' Remuneration Report in the following four key sections:

1. An Annual Statement explaining the priorities of the Committee across reward for all colleagues and summarising the remuneration policy for executive directors.
2. A Summary Directors' Remuneration Policy in respect of the Society executive directors.
3. The Annual Report on Remuneration in 2025, which explains how the remuneration policy was implemented during the 2025 financial year.
4. The 2026 Remuneration Outlook, which sets out our planned approach to applying the remuneration policy in 2026.

Annual Statement (continued)

The key matters discussed, and the decisions made by the Committee during 2025 are set out below.

Remuneration component	Action taken
2025 Pay Review	Approved the 2025 salary awards for the Group Executive Committee, senior managers and Material Risk Takers (MRTs), in line with the all colleague pay review.
2024 SVPA* outcomes & payments	Approved annual bonus awards for all employees in scope of the PRA and FCA remuneration rules in respect of the performance year 2024, considering the Group Chief Risk Officer's risk report, the Group Chief Financial Officer's sustainability review, performance outcomes versus scheme measures and related personal performance objectives.
2025 Group LTIP design**	Approval and implementation of overall grants for the LTIP, for the executive directors and selected Group Executive Committee colleagues. Determined the key performance measures and targets across the following areas: • Financial • Non-financial
2025 SVPA design	Determined the updated key performance measures and targets across the following areas: • Financial • Customer and Colleague • Environmental, Social and Corporate Governance (ESG) • Personal performance objectives
2025 Connells group LTIP design	Reviewed and approved the design and measures of the LTIP and annual bonus measures for the Connells executives for performance year 2025.
2025 Group Subsidiary Executive Pay Review and incentives	Approved the 2025 salary increases and 2024 bonus awards for the Subsidiary executive directors.
Market and regulatory review	Assessed external benchmarking data as an input to ensure Society remuneration remains competitive and appropriate. Received updates on the regulatory consultation on remuneration reforms and determined the approach to be taken by the Group as a result of the updated rules.
2026 Variable Pay plans and design	Considered and approved the design of the Society's SVPA & LTIP plans and associated measures for the performance year 2026.
2026 Pay Review	Approved the 2025 salary awards for the Group Executive Committee, senior managers and Material Risk Takers (MRTs).

* SVPA stands for Senior Variable Pay Arrangement, which is the discretionary annual bonus plan in which the executive directors and selected colleagues of the Group Executive Committee participate.
** LTIP stands for Long Term Incentive Plan, which is the discretionary three-year performance plan in which the executive directors and selected colleagues of the Group Executive Committee participate.

Annual Statement (continued)

Variable remuneration in respect of performance for 2025

A key objective for the Committee is to ensure the remuneration of the Society's executive directors is both aligned with and drives business performance across a range of measures taken from our Corporate Plan. Each year we review the design and focus of our annual bonus schemes to ensure alignment with strategy and to ensure that they drive the culture and behaviours we want to promote and reward appropriately.

Financial and Customer performance

The scheme focused on three key financial metrics for 2025, namely adjusted Group profit, adjusted Society profit and Society administrative expenses. Overall, as set out in the Group Chief Financial Officer's report Skipton Group's financial performance in 2025 has performed well, achieving strong balance sheet growth, good profitability and a stable capital position.

In 2025 our delivery against our purpose saw our mortgage and savings book growth outpace the market, with our Group mortgage book surpassing £33bn, and our Society savings books surpassing £30bn for the first time. Our Money business continued to deliver seeing an increase in financial advice conversations. Our Homes business increased new lending to first-time buyers with our segment market share increasing to 4.0% (2024: 3.8%). The combined success across the businesses that make up the Skipton Group resulted in the adjusted Group profit metric pay out, at 59.6% of maximum (2024: 81.9%).

The Society's net interest margin performed well in 2025 amidst a falling interest rate environment. The Society delivered a resilient, above target performance. As a result, the adjusted Society profit metric pay-out remains strong, to 85.2% of maximum (2024: 66.6%).

Administrative expenses for the Society increased slightly by £0.4m compared to last year rising to £262.4m (before any adjustments). We have continued to invest in our service, through improved digital pathways; and in our brand and our people, whilst remaining focused on controlling our costs and realising efficiencies. As a result, the administrative expenses outturn is 67.3% of maximum.

Our customer base has grown in 2025, and we have maintained high satisfaction scores through our delivery of both great service and products. In 2025 a customer satisfaction score of over 90% was achieved. The net customer satisfaction performance measure achieved 10 out of 10 and will pay out at 100% (2024: 90%).

Non-financial performance

In line with the Corporate Plan, two key non-financial performance metrics were included for 2025. Two Diversity and Inclusion metrics, focused on meeting our Women in Finance Charter target and Ethnicity target. The Society achieved an outcome of 48% against the 2025 Women in Finance target (46.7% in 2024), which is a strong outcome compared to the national average of 36% across financial services organisations. This measure achieved 6 out of 10.

In line with our ongoing commitment to Diversity and Inclusion, the Ethnicity metric score achieved 10 out of 10, paying out at the maximum 100%.

A people-driven metric was first introduced in 2024. In 2025 we introduced employee Net Promoter Score to measure colleague engagement. By embedding our new Society listening survey, we have turned colleague feedback into actionable insight. As a result, our engagement levels are now reporting at a score of 42, with 89% of colleagues participating in the survey. This metric in 2025 achieved 10 out of 10, paying out at 100%.

Awards of Long and Short Term Variable Pay in Respect of Performance 2025

With the close of the year, the Committee reflected on the outcomes under the Society's 2025 SVPA and concluded that there was no requirement to apply any upward or downward discretion. After considering the financial, non-financial and personal performance, incentive payments awarded were between 38.54% and 40.78% of salary, where the maximum potential bonus under the scheme is 50% of salary.

In arriving at the decision on the Society's 2025 SVPA awards, a risk assessment process was undertaken, during which the Committee considered a range of factors and input from the Board Risk Committee. The Committee decided that no risk adjustments were required.

Annual Statement (continued)

The Directors' Remuneration Report and Remuneration Policy for the year ended 31 December 2024 received strong member support, both receiving 92% of votes cast in favour at the AGM held in April 2025. Taking this outcome into account and having assessed individual conduct and performance, together with the Society's overall performance in 2024, the first LTIP grant, equivalent to a maximum potential value of 75% of annual salary was awarded to the executive directors and selected colleagues of the Group Executive Committee. These awards will be confirmed on the third anniversary of grant, subject to meeting performance conditions measured over a three-year period ending on 31 December 2027. Any vested awards at the end of the performance period will be disclosed in the 2027 Directors' Remuneration Report.

Remuneration regulations

The final policy position on the changes to the PRA regulation reforms was confirmed in October 2025. This included the simplification and reduction in the deferral time horizons for variable pay. The Committee remains committed to ensuring our reward approach remains fit for purpose and aligned with both the evolving regulatory landscape, the Group's pay policy and member interests. Whilst there will be an ongoing review of the application on practices under the updated regulations, the Committee has agreed that at present there will be no changes made to the payment scheduling of any historical bonus awards. Any awards made to the executive directors in respect of the 2025 performance year and onwards will be paid in accordance with the regulations. For further details see page 110.

2026 look forward

Looking ahead to 2026, the Committee will continue to review the LTIP to ensure alignment with our strategy and member interests. As outlined on pages 115 and 116, executive directors and selected Group Executive colleagues will participate in the following variable pay schemes for 2026:

•Senior Variable Pay Arrangement (SVPA) maximum award up to 50% of salary.

•Long term Incentive Plan (LTIP) maximum award up to 75% of salary.

In the context of the wider workforce the Committee approved a salary increase of 3% for the Group Chief Executive Officer and Group Chief Financial Officer, effective 1 January 2026. The Chair and non-executive directors of the Society received a fee increase of 4%, effective 1 January 2026, the average increase received by the wider colleague population was 4.48%.

Conclusion

On behalf of the Committee, I hope this report gives you a clear view of how we have implemented the Directors' Remuneration Policy in 2025 and how we are investing to support the Group's ambitions and strategic priorities set out in our Corporate Plan. The Committee recommends that the members vote in favour of the advisory resolution to approve the 2025 Directors' Remuneration Report at the forthcoming AGM.

S Davis

Steven Davis

Chair of the Board Remuneration Committee
17 February 2026

Summary Directors' Remuneration Policy

Summary of Remuneration Policy for Executive Directors in the Society

The complete policy is available in our Annual Report and Accounts 2024 on the Society's website. The current Directors' Remuneration Policy was approved at the AGM on 28 April 2025 and in line with corporate governance standards is expected to apply until the 2028 AGM when members will be asked to approve a revised Policy.

The Committee is comfortable that the current policy is operating as intended and that the overall 2025 remuneration paid to executive directors as set out in the Annual Report on Remuneration, is appropriate. This section summarises the current Directors' Remuneration Policy. The table below outlines the key elements of remuneration for executive directors, the operation and opportunity and the criteria for 2026.

Element of remuneration	Operation and opportunity	Implementation
Base salary	Base salary is typically reviewed annually, and any increases are effective from 1 January. Salaries are set taking into account the size of the role and responsibilities, and the skills and experience of the individual as well as the individual's performance. Pay levels in comparable organisations are also considered.	As set out in the Chair's letter, the Committee determined base salaries for 2026 as follows: • S Haire £761,302 • P Chambers £456,187
Pension	Executive directors receive a contribution and / or cash allowance to a defined contribution pension scheme. The pension allowance rate for executive directors is aligned with the maximum rate available to all other colleagues (currently 10% of base salary).	No change for 2026
Benefits	Benefits provided to executive directors include a car or car allowance, accommodation, private medical insurance, health assessment, life insurance and group income protection benefits. The Society bears the cost of providing benefits, which may vary from year to year. The maximum potential value will depend on the type of benefit and cost of providing it, which will vary according to market rates.	No change for 2026
Annual bonus SVPA (Senior Variable Pay Arrangement)	Performance is assessed against a balanced scorecard of measures to determine the amount of the award for any particular year. The maximum incentive which may be earned for any year under the SVPA is 50% of base salary.	For awards made in respect of 2026 the target opportunity will be 30% of base salary, with a maximum opportunity of 50% of base salary. 70% of the awards are based on financial and non-financial measures, with 30% of the award based on individual performance (including conduct and behaviours). See page 109 for further details.
LTIP (Long-Term Incentive Plan)	Long term awards incentivise executive directors to deliver on the long-term strategy of the Group over a three-year period, thereby contributing to the long-term stability of Skipton and creating value for the Society and its members. The maximum potential opportunity under the LTIP is 75% of base salary. On-target performance generally attracts an incentive of 60% of the maximum.	Subject to the achievement of satisfactory Society and individual performance over the 2025 year, it is intended that LTIP awards will be made at the maximum potential opportunity. See page 108 for further details.
Non-Executives	Fees are typically reviewed annually. Non-executive directors do not receive any benefits or variable pay. Travel and subsistence expenses, including between home and Skipton offices, are reimbursed and any tax that arises on those expenses is settled by the Society. Fees are determined based on responsibilities, time commitment and fees in comparable organisations.	The annual review of non-executive director fees for 2026 has been undertaken and fees adjusted by 4% with effect from 1 January 2026.

Annual Report on Remuneration in 2025

The Annual Report on Remuneration explains how we applied our existing remuneration policy in 2025 and how we intend to implement the policy in 2026. The Committee is comfortable that the current policy operated as intended and that the overall 2025 remuneration paid to executive directors, as set out below, is appropriate.

Key metrics for Remuneration in the SVPA for 2025

The Strategic Report provides a comprehensive explanation of the Group's purpose and strategy. To keep us focused on delivering our strategy we have three key priorities:

- Help more people have a home
- Make money work harder
- Make membership matter

These ensure we are driving the Group forwards and working together to deliver more for the Society's members. In addition, the Strategic Report explains how Environmental, Social and Corporate Governance (ESG) are woven through the strategy. Further details on the 2025 measures for the SVPA and LTIP can be found on pages 108 and 109.

Annual Report on Remuneration in 2025 (continued)

Executive Directors' Remuneration

Any amounts awarded to the executive directors relating to the first LTIP for 2025 will be disclosed in the Annual Report and Accounts 2027.

The total remuneration of each executive director in 2025 and 2024 is set out in the single figure tables below:

2025 audited

Executive Director	Role	Salary £000	Benefits[1] £000	Pension[2] £000	Total fixed remuneration £000	SVPA £000	Total remuneration £000
Stuart Haire	Group Chief Executive	739	37	74	850	296	1,146
Paul Chambers	Group Chief Financial Officer	443	21	44	508	171	679
Andrew Bottomley[3]	CEO, Money	190	9	26	225	35	260
Total Remuneration		**1,372**	**67**	**144**	**1,583**	**502**	**2,085**

Notes

1. Includes all taxable benefits (private medical insurance, car allowance, health assessment, life assurance, group income protection and travel and accommodation).
2. Current executive directors receive 10% of base salary paid into the pension scheme up to the tax approved pension limits with any balance paid to them.
3. Andrew Bottomley's employment with the Society ended on 30 June 2025. Andrew also received 15% of base salary (**excluding any unused holiday pay accrued, totalling £13,536**) paid into the pension scheme during this period. The amount awarded to him under the SVPA takes into consideration the period in office from 1 January to 31 March 2025.

2024 audited

Executive Director	Role	Salary £000	Benefits[1] £000	Pension £000	Total fixed remuneration £000	SVPA £000	Other £000	Total remuneration £000
Stuart Haire	Group Chief Executive	718	39	72	829	282	-	1,111
Paul Chambers[3]	Group Chief Financial Officer	388	17	39	444	145	145	734
Andrew Bottomley	CEO, Money	352	17	53	422	132	-	554
Bobby Ndawula[4]	Group Chief Financial Officer	365	15	37	417	66	-	483
Total Remuneration		1,823	88	201	2,112	625	145	2,882

Notes

1. Includes all taxable benefits (private medical insurance, car allowance, health assessment, life assurance, group income protection and travel and accommodation).
2. Current executive directors receive 10% of base salary paid into the pension scheme up to the tax approved pension limits with any balance paid to them, with the exception of Andrew Bottomley who received 15%.
3. Paul Chambers started his employment with the Society on 6 February 2024. Whilst we stated in the 2024 report that Paul would receive a lost opportunity award of £250,000, the Society actually paid him £145,000 for his forfeited performance year 2023 bonus.
4. Bobby Ndawula's employment with the Society ended on 22 November 2024. The amount awarded to him under the SVPA takes into consideration the period in office from 1 January to 31 May 2024. His garden leave commenced on 1 June 2024.

Annual Report on Remuneration in 2025 (continued)

Base salary and fees

Pay awards of 3% were awarded to the executive directors as part of the Society pay review effective 1 January 2025.

Executive Director	Role	% increase	January 2025	January 2024
Stuart Haire	Group Chief Executive Officer	3.00%	£739,128	£717,600
Paul Chambers[1]	Group Chief Financial Officer	3.00%	£442,900	£430,000
Andrew Bottomley[2]	CEO, Money	-	£ 351,942	£351,942

Notes
1. Paul Chambers joined on 6 February 2024 and the salary stated in 2024 is effective from that date.
2. Andrew Bottomley retired from the Society on 30 June 2025 and therefore did not receive a pay increase in 2025.

Variable Pay: Long-term Incentive Plan (LTIP)

The Directors' Remuneration Report and Remuneration Policy for the year ended 31 December 2024 received strong member support, ranging between 92-93% of votes cast in favour at the AGM held in April 2025. Taking this outcome into account, and having assessed individual conduct and performance together with the Society's overall performance in 2024, the first LTIP grant* equivalent to a maximum potential opportunity of 75% of base salary, was awarded to colleagues of the Group Executive Committee, including the executive directors.

The LTIP operates over a three-year forward-looking performance period commencing on 1 January 2025. Performance will be measured against a balanced LTIP scorecard incorporating financial and non-financial metrics aligned to the Society's long-term goals and the Group's strategic priorities. See the table below for details of the 2025-2027 measures.

No LTIP payments are made straight away. Any payout will only be confirmed after conclusion of the three year performance period and will remain subject to Committee approval. This approval includes confirmation that performance conditions have been met and that the Society's accounts for the year ending 31 December 2027 have been formally approved. No payout will be made if performance does not reach the required level.

Upon completion of the performance period, the Committee will assess overall outcomes against the LTIP scorecard and will consider whether any significant conduct, risk, reputational, financial, operational, or other matters should affect the release of awards**. This assessment will include input from the Board Risk Committee and Board Audit Committee. The specific performance measures and the corresponding performance outcomes will be disclosed in the relevant year's Remuneration Report.

LTIP measures 2025-2027		Weighting
Financial	Profit: Adjusted Group PAT (£m)	40%
	Growth: Growth in Mortgage Balances	30%
Non-Financial	Uplift in Financial Advice	5%
	Proportion of lending to first time buyers	5%
	Society membership satisfaction score	5%
	Group scope 1&2 emissions	5%
Risk Scorecard	Reduction in the number of customer complaints	5%
	Overdue audit findings	5%

*Grant refers to the point at which an LTIP is formally awarded to an individual at the start of the performance period confirming the moment the participant becomes eligible to earn an award subject to meeting the performance conditions during the full performance period.
**Award refers to the value that becomes payable to a participant at the end of the LTIP performance period, once the Board Remuneration Committee has confirmed the extent to which the performance conditions have been met. It represents the final, earned outcome of the LTIP.

Annual Report on Remuneration in 2025 (continued)

Variable pay: Senior Variable Pay Arrangement (SVPA)

The SVPA is a discretionary incentive plan designed to reward performance on an annual basis within the context of achieving corporate goals and objectives as set out in our Corporate Plan, encouraging positive behaviours and maintaining sustainable performance to support the achievement of strategic goals. Participation in the plan relating to any financial year shall be at the discretion of the Board Remuneration Committee.

The table below summarises the measures, performance targets, outcomes and weightings of the 2025 SVPA.

2025 performance measures	Performance target range: Threshold - Maximum	Performance relative to Targets	Outcome	Weighting Group Chief Executive & Group Chief Financial Officer	Weighting other Executive Directors
Adjusted Group PBT[1]	£262.9m – £355.7m	Above threshold	£307.3m	17.5%	0%
Adjusted Society PBT[1]	£177.1m - £239.5m	Above target	£228.0m	17.5%	35%
Adjusted Society administrative expenses[1]	£295.8m - £218.6m	Above target	£250.2m	10%	10%
Society net customer satisfaction	82%-90%	At maximum	90%	15%	15%
Colleague engagement and culture	20-40	At maximum	42	5%	5%
ESG – D&I Women in Finance	46.7%-50%	At target	48%	5%	5%
ESG – D&I Ethnicity	6.4%-8%	At maximum	9.2%		
Personal Objective: performance has been assessed against both the delivery of the Society performance scorecard as well as individuals' goals, values and Behaviours i.e. the "how" and the "what".				30%	30%

Note

1. For bonus purposes, the Group and Society PBT figures and Society administrative expenses are adjusted as outlined in the Board Audit Committee Report.

At the end of the year, the Committee reviewed the annual performance under the SVPA for all the executive directors and selected Group Executive Committee members. The incentive outcomes for 2025 are based on the performance relative to target for the SVPA measures. They also reflect the Committee's assessment of performance achieved against personal objectives, taking into consideration the views of the non-executive members of the Board.

Based on this overall assessment, the outcomes for the executive directors were between 38.54% and 40.78% of base salary reflecting the robust performance of the Group over the year.

Annual Report on Remuneration in 2025 (continued)

Risk considerations

To ensure that rewards are based on sustainable performance, set in a multi-year period, the Board Remuneration Committee conducts a financial sustainability review for senior schemes (SVPA and senior leaders), one year after the original performance year. The review also considers feedback from the Board Risk and Board Audit Committees provided as part of the annual risk assessment process. The sustainability review conducted in February 2026 for the 2025 SVPA and senior leaders' schemes demonstrated that 2024 performance levels had been maintained in 2025. The Board Remuneration Committee therefore concluded that no adjustment to the 2024 awards was required at this point in time.

The Society has a Risk Adjustment Policy which sets out its approach to ex-ante and ex-post risk adjustment, malus and clawback. Where the Remuneration Committee determines that risk adjustment is required, payments due from the scheme and deferred payments (if applicable) may be postponed, reduced, or cancelled for some, or all, participants. Examples of events in which malus and clawback may be considered but is not limited to:

- Reasonable evidence of misconduct or performance issues
- The Group suffering financial or risk related failures
- Serious operational or regulatory issues.

In certain circumstances, the business may need to apply clawback arrangements and require repayment of an appropriate amount of variable pay relating to the event which has occurred. The timescales in which malus and clawback applies are in line with regulatory requirements.

The Board Remuneration Committee, after consultation with the Board Risk and Board Audit Committees and consideration of performance against risk appetites, did not make any risk adjustments for 2025.

Deferral arrangements

In line with changes to remuneration regulations, variable pay may be subject to deferral. The Committee has determined that, executive directors whose pay exceeds the 'de-minimis*' limit will have a five-year deferral period. Under this policy, 40% of the first £660,000 of variable pay will be deferred, and 60% of any amount above that will also be deferred. Regulations further require that 50% of total variable pay is delivered in the form of an instrument. For 2025, variable pay includes the SVPA and the first LTIP grant. SVPA payments are split equally between cash and a share-like instrument, while LTIP awards are delivered entirely as share-like instruments**. See table below for details of the scheduling of payments.

Variable Pay Scheme		2024	2025	2026	2027	2028	2029	2030	Total Paid
SVPA	SVPA Cash	-	Performance Period	50%	-	-	-	-	100%
	SVPA Share-like Instrument	-		-	50%	-	-	-	
LTIP	LTIP Share-like Instrument	1 Year performance Look Back	3 Year forward looking Performance Period			33.3%	33.3%	33.3%	100%

*In the remuneration code, "de minimis" refers to a small-value threshold below which certain regulatory pay requirements — such as bonus deferral or payment in instruments — do not apply because the amounts are considered too low to warrant full rules.
**A share-like instrument is a non-equity instrument used by mutual building societies to mirror the risk-alignment features of shares, linking part of variable pay to the Society's long-term performance and members' interests.

Payments to former directors

A payment of £123,164 was made to David Cutter in March 2025 in respect of vested deferred payments in 2025 from the 2017, 2018, 2019, 2021 and 2022 SVPA schemes.

A payment of £28,960 was made to Ian Cornelius in March 2025 in respect of vested deferred payments in 2025 from the 2019 and 2021 SVPA schemes.

A payment of £90,409 was made to Bobby Ndawula in March 2025 in respect of vested deferred payments in 2025 from the 2017, 2018, 2019, 2021, 2023 and 2024 SVPA schemes.

Payments for loss of office - no such payments were made in 2025.

Annual Report on Remuneration in 2025 (continued)

Non-Executive Directors' remuneration

The role of the Non-Executive Remuneration Committee is to set and review non-executive director (NED) fees (other than the Chair of the Board) for the Society and key subsidiaries across the Group, ensuring that these are appropriate to attract high quality individuals. Members of the Committee comprise of the Chair and both Executive Directors. Following a review by our independent remuneration advisors, and in consideration of the external market benchmarks, the Committee awarded the Society's Chair a fee increase of 11.5% and the Senior Independent Director a fee increase of 10.7%. Pay awards of 3% were awarded to the non-executive directors in line with the Society pay increase, effective from 2025.

The table below sets out the annual fees payable for all non-executive director roles in 2025.

	2025 (£)	2024 (£)
Chair	290,000	260,000
Non-Executive Directors base fee	72,100	70,000
Senior Independent Director ("SID") fee	87,000	78,613
Chair of Board Audit and Board Risk Committees fee	25,000	25,000
Chair of Board Remuneration Committee fee	20,000	20,000
Chair of Board Nominations Committee fee[1]	-	-
Chair of Board Change Committee fee	20,000	20,000
Board Audit, Board Risk, Board Change, Workforce Engagement, and Board Remuneration Committee membership fees	10,000	10,000

Note
1. There is no separate Nominations Committee chair fee as the Board Chair assumes this role.

The actual total fees and expenses for the non-executive directors in 2025 and 2024 are set out below. Detailed information regarding the non-executive directors may be found in the Corporate Governance Report.

	2025			2024		
Non-Executive Director	Fees £000	Taxable expenses [1] £000	Total £000	Fees £000	Taxable expenses [1] £000	Total £000
Gwyn Burr (Chair)	290	1	291	260	3	263
Mark Lund (Deputy Chair) [2]	49	3	52	146	6	152
Graham Lindsay (Deputy Chair) [7]	73	4	77	-	-	-
Iain Cummings	117	6	123	115	6	121
Steven Davis [3]	99	3	102	110	6	116
Hasintha Gunawickrema [4]	79	4	83	12	1	13
Denis Hall	107	4	111	105	6	111
Heather Jackson	112	2	114	110	4	114
Philip Moore [5]	44	2	46	133	5	138
Sarah Whitney [6]	-	-	-	22	3	25
	970	29	999	1,013	40	1,053

Notes
1. Expenses relate to reimbursement of travel and subsistence between home and the Skipton head office, including for attendance at Board and Committee meetings. In addition to reimbursement for expenses, any tax that arises is settled by the Society on behalf of the non-executive directors.
2. Mark Lund was the Senior Independent Director for the Skipton Board. He was re-appointed as Chair of Connells, following Sarah Whitney's departure, on 1 March 2024. The annual payment of £50,000 received as Chair of Connells board is included in the table above. Mark Lund retired from the Society's Board on 28 April 2025 but maintains the role of Chair of the Connells board until 13 February 2026.
3. Steven Davis received a one-off fee in 2024 for additional duties carried out on behalf of the Board.
4. Hasintha Gunawickrema was appointed as a non-executive director effective 1 November 2024.
5. Philip Moore was the Chair of Connells Audit & Risk Committee, and also a non-executive director of Connells Limited, for which he received an annual fee of £35,000, included in the table above. Philip Moore retired from the Board and Connells on 28 April 2025.
6. Sarah Whitney was Chair of Connells board until 29 February 2024, for which she received an annual fee of £50,000. The pro-rata amount is included in the table above.
7. Graham Lindsay was appointed as the Senior Independent Director for the Skipton Board effective 19 May 2025.

Annual Report on Remuneration in 2025 (continued)

Remuneration in the Society

Our Reward principles and aims

Our Board Remuneration Committee does not consult colleagues on remuneration policy for executive directors, but it does take into consideration remuneration arrangements for the wider population in the Society when determining executive remuneration. A set of fair pay principles has been developed taking into consideration the views of colleagues from across the Society and these underpin the Society's current and future reward strategies.

The Society has wellbeing at the forefront of its culture and continues to support colleagues physically, mentally and financially. Our reward platform, 'Select', which is used by all colleagues, builds awareness and enables personalisation and choice of the benefits on offer. One of the many features is a total reward statement allowing an individual to understand how their package is constructed and understand the full value when all elements of remuneration are included.

Cascade of remuneration in the Society

Key measures and targets featured in the Executive SVPA scheme are cascaded through the incentive schemes covering all colleagues within the Society. This common structure helps build a shared commitment and alignment to our purpose, vision and strategy and provides all colleagues in the Society with an opportunity to be rewarded in a way that recognises our collective success.

All employees of the Society receive base pay, are eligible for participation in a bonus scheme and benefits package including pension, life cover, group-income protection, private medical and company sick pay consistent with market practice. In addition to this the executive committee members also receive an annual health check.

During 2025 Colleagues have been able to use our recently developed Reward Hub providing clear, accessible information about how pay works at Skipton. All employees are eligible to participate in the appropriate incentive arrangements relevant to their role. Members of the Group Executive Committee and other selected senior managers may be eligible to participate in the SVPA and LTIP on the same terms as the executive directors, subject to the discretion of the Group Chief Executive and the Committee. The award size for these individuals may be lower than for the executive directors.

A variable pay arrangement for all colleagues (excluding those in the SVPA) is in place, so that everyone employed by the Society will have the opportunity to share in the Society's success. The key measures for the scheme are aligned with those that apply for senior management.

How does executive remuneration for 2025 align with the wider organisation?

Whilst the key focus of the Board Remuneration Committee is remuneration for the Group Executive Committee, we also monitor how executive remuneration aligns with the wider Society colleague population. The table below gives a snapshot of average pay increases and bonus awards for all colleagues in 2025.

	Average pay increase		Year-on-year change	Average bonus award		Year-on-year change
	1 Jan 2025	1 Jan 2024		2025	2024	
Group Chief Executive	3.00%	4.00%	-1.00%	40.04%	39.30%	+0.74%
Executive Directors	3.00%	4.00%	-1.00%	39.66%	37.40%	+2.26%
Other Society Executive Committee members	6.25%	4.40%	+1.85%	41.99%	34.80%	+7.19%
Senior leaders	3.00%	5.15%	-2.15%	21.99%	19.90%	+2.09%
Other colleagues	3.15%	5.02%	-1.87%	10.37%	9.20%	+1.17%

The pay increase agreed for all colleagues in the Society was 3%, effective 1st January 2025. The Society also provided an enhanced increase for those below the Real Living Wage. Market Adjustments were made to other Group Executive Committee members in 2025 to ensure salaries were aligned with the market.

Annual Report on Remuneration in 2025 (continued)

CEO pay ratio

In line with the regulatory requirements of listed companies, the Board has agreed to voluntarily publish the CEO pay ratio for the Society only. Given the diversity of the wider Skipton Group, the Society measure is deemed to be more appropriate as it provides a more meaningful comparison with our peers in financial services.

For the purposes of this year's disclosure, the pay ratio calculation uses the Society's April 2025 gender pay gap data to identify the three appropriate colleagues for comparison with the CEO. This methodology is referred to as 'Option B'. This data is used to identify the best equivalent for three colleagues whose hourly rates of pay are at the 25th, 50th and 75th percentiles for the Society and their total pay and benefits figure for 2025 is then calculated. A sample of colleagues with hourly pay rates either side of the initially identified individuals are also reviewed to ensure that the appropriate representative colleagues are selected.

The table below sets out the total remuneration of the Group Chief Executive and the total remuneration of employees who sit at the 25th, 50th and 75th percentiles for the Society.

Year	Method[1]	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021 Ratio	Option B	54:1	38:1	22:1
2022 Ratio 1[2]	Option B	74:1	55:1	39:1
2022 Ratio 2[3]	Option B	29:1	21:1	15:1
2023 Ratio	Option B	35:1	27:1	19:1
2024 Ratio[4]	Option B	39:1	28:1	20:1
2025 Ratio	Option B	38:1	26:1	16:1

Notes

1. As recognised by the BEIS, those companies with multiple subsidiaries and payrolls can opt to use Option B.
2. Ratio 1 includes a buy-out awarded to the incoming Group Chief Executive.
3. Ratio 2 excludes a buy-out awarded to the incoming Group Chief Executive.
4. The 2024 pay ratio figure was erroneous and has been re-stated in the table above.

The CEO pay ratio for 2025 remains below that observed across comparable organisations within our peer group. Reflecting the diverse range of roles within the Society, the Committee considers the ratios to be appropriate and aligned with the Society's established reward framework. The Committee is satisfied that they provide a reasonable representation of the Society's overall approach to colleague pay and reward.

The total remuneration and salary values for the 25th, 50th (median) and 75th percentile employees in 2025 are:

Gender pay data	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Salary (£)	26,824	38,485	65,600
Total remuneration (£)	29,568	42,710	72,310

Annual Report on Remuneration in 2025 (continued)

CEO Pay comparative over the past five years

The table below shows details of the total remuneration and the amount vesting under short-term incentives as a percentage of the maximum that could have been achieved, in respect of the Group Chief Executive Officer role for the previous five years.

Year	Single figure of total remuneration £000	Annual bonus earned against maximum opportunity
2025	1,146	80.1%
2024	1,111	78.6%
2023	1,034	67.6%
2022[1]	1,151	-
2021[2]	1,309	100.0%

Notes

1. Stuart Haire commenced his role as Group Chief Executive Officer on 31 December 2022. As a result of his resignation from HSBC, Stuart has forfeited deferred awards made to him in respect of financial years prior to 2022, as well as the opportunity to earn a bonus for 2022. The figure in the table therefore includes an award of £345,000 to replace the forfeited bonus opportunity.
2. The Group Chief Executive Officer in 2021 was David Cutter. The Committee made the decision to exercise its discretion by awarding 100% of salary under the Society's SVPA scheme due to the transformative impact of the Countrywide acquisition and the contribution of the Group Chief Executive to the success of the transaction.

Relative importance of spend on pay

The following table sets out the changes in Society profit after tax in 2025 and 2024 and compares these with the overall spend of remuneration over the two years. As a mutual organisation, the Society only seeks to retain sufficient profit to maintain capital ratios and support investment in the business, with any surplus above this returned to members through competitive pricing.

	2025 £m	2024 £m	Change %
Total assets	38,326.9	36,628.3	4.6%
Total employee remuneration costs paid	152.8	132.8	15.1%
Profit after tax	222.6	189.2	17.7%

The spend in the year reflects further investments in our people. Total employee remuneration across the Society has increased 15.1% on last year, through a combination of higher pay awards and rising headcount as we continue our focus on providing high levels of customer satisfaction.

The Financial Review (within the Strategic Report) provides an overview of financial performance for the year.

Material Risk Takers (MRT)

Material risk takers are those colleagues whose professional activities have a material impact on the Society and Group subsidiaries risk profile. In accordance with regulations, we have identified MRTs in the Society and in the Group subsidiary companies who are in scope of the PRA and FCA regulations.

The Board Remuneration Committee is responsible for approving remuneration policies, maintaining oversight of the remuneration of MRTs and for ensuring that remuneration is paid to them in accordance with regulatory requirements.

Details of the MRTs' remuneration arrangements for 2025 are included in the Pillar 3 document which is available on our website.

2026 Remuneration Outlook

Statement of implementation of Remuneration Policy in 2026

Base salary

The Committee approved a pay award of 3% for the executive directors which will be effective from 1 January 2026. The average increase across the wider workforce is 4.48%.

Effective 1 January 2026, the increase in fees for the Chair and non-executive directors was 4%.

There are no changes to the Society's approach to benefits and pensions.

Senior Variable Pay Arrangement (SVPA)

The maximum bonus opportunity will remain 50% of base salary, with the target opportunity 30% of base salary. Malus and clawback provisions apply.

The performance measures included in the SVPA have been reviewed for 2026 to maintain a clear link between the bonus plan and how it supports and re-enforces business strategy. The measures and weightings for the 2026 SVPA are set out in the table below. The targets set and the extent of their achievement will be disclosed in the 2026 Annual Report as the Board Remuneration Committee considers them to be commercially sensitive at this point in time.

	2026 performance measures	Group CEO	Group CFO
Financial	Adjusted Group PBT*	17.5%	17.5%
	Adjusted Society PBT*	17.5%	17.5%
	Adjusted Society administrative expenses*	10.0%	10.0%
	Financial: total weighting	45.0%	45.0%
Customer & Colleague	Society net customer satisfaction	15.0%	15.0%
	Execution of the 2026 talent, capability, culture and curiosity agenda to support future business growth	5.0%	5.0%
	Customer & colleague: total weighting	20.0%	20.0%
ESG	Diversity & Inclusion	5.0%	5.0%
	ESG: total weighting	5.0%	5.0%
Personal objectives	Personal objective / performance – what?	15.0%	15.0%
	Personal objective / performance – how?	15.0%	15.0%
	Personal objectives: total weighting	30.0%	30.0%

* For bonus purposes, the Group and Society profit and Society administrative expenses are adjusted for those items that are not considered part of the Group's core strategy, to give greater transparency of the performance of ongoing trading activities - as defined within the Strategic Report; or for those items that are outside of the directors' control. This is reviewed and approved by the Board Audit Committee.

Long-term Incentive Plan (LTIP)

LTIP awards in respect of the 2026-2028 performance period will be granted during 2026. LTIP awards are discretionary and are made subject to a pre-grant performance assessment over the prior year. The maximum opportunity will remain at 75% of base salary, with the target opportunity around 60% of the maximum. Deferral, malus and clawback provisions will apply.

The Committee reviewed the performance measures and concluded that no changes were required for 2026 (see page 108 for further details). The selected measures remain aligned to the Group's long-term priorities, supporting sustainable performance and ensuring continued alignment with the business strategy and member interests. Full details of the applicable performance metrics will be disclosed in the Directors' Remuneration Report for the relevant vesting year.

2026 Remuneration Outlook (continued)

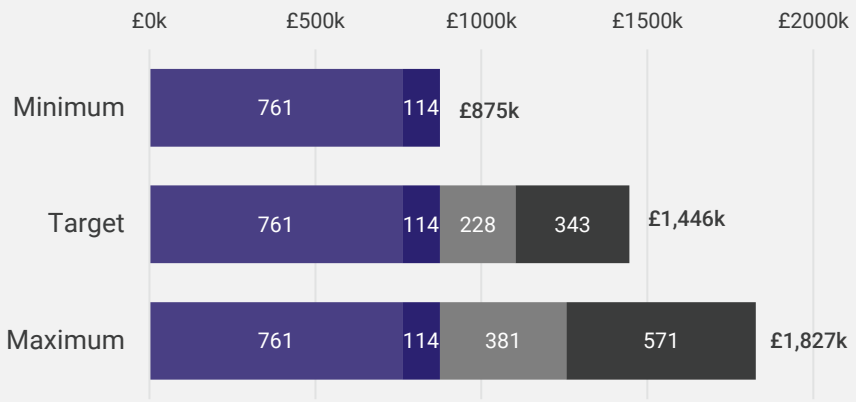
Potential remuneration based on performance

The charts below set out the potential value each of the executive directors could earn under the directors' remuneration policy, in different performance scenarios using an LTIP grant value of 75%: Minimum (i.e. fixed pay, pension and benefits only, zero variable pay), Target (i.e. fixed pay, pension, benefits and 50% of the maximum variable pay that may be awarded) and Maximum (i.e. fixed pay, pension, benefits and the maximum variable pay that may be awarded).

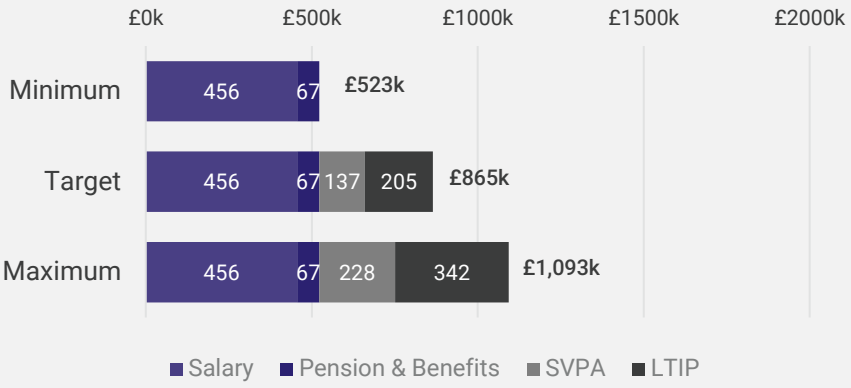
The Committee is committed to keeping LTIP grant levels fixed unless a review during the three-year policy determines that an adjustment is necessary, therefore the potential value illustrated may be subject to change but will not exceed the maximum values set out within the directors' remuneration policy.

A significant proportion of the potential remuneration of the executive directors is payable based on the achievement of stretching performance measures and subject to deferral, malus and clawback. No payments relating to LTIP awards will be made until after the end of the forward-looking three-year performance period and Board approval of the accounts relating to these years.

Stuart Haire
Group Chief Executive Officer



Paul Chambers
Group Chief Financial Officer



Directors' Remuneration Report (continued)

Independent advisers

PwC were appointed as independent external consultants by the Committee in 2015 following a review of potential advisers. PwC is a signatory to the voluntary Code of Conduct in relation to remuneration in the UK. During the year, PwC have supported the Committee on a range of items advising on regulatory reporting and risk adjustment, carrying out the non-executive directors benchmarking exercise, advising on the design and implementation of the Long-Term Incentive Plan and executive director remuneration. The Committee is satisfied that the advice received is objective and independent. PwC's fees in respect of remuneration services provided in 2025 were £119,077 (net of VAT).

In addition to remuneration, PwC provide other services to the Society such as accounting, internal audit, and tax advice.

The Committee has undertaken a review of its independent external advisory support and confirms that Deloitte will be appointed as the new independent external consultants to the Board Remuneration Committee, effective from March 2026.

Statement of voting at the 2025 AGM

The Committee has, for a number of years, invited members to vote (on an advisory basis) on the Remuneration Policy every 3 years and annual Remuneration Report every year, and takes member feedback into account when determining policy and outcomes.

Our Directors' Remuneration Report for the year ended 31 December 2024 received strong support at the AGM held in April 2025, the results of which were as follows:

Votes For	Votes Against	Votes Withheld
55,100 (92.84%)	4,250 (7.16%)	1,294

We will be seeking an advisory vote on the Directors' Remuneration Report for the year ended 31 December 2025 at the AGM to be held in April 2026.

I would like to thank members for their ongoing support and encourage you to vote in favour of the Directors' Remuneration Report.

S Davis

Steven Davis

Chair of the Board Remuneration Committee
17 February 2026

Financial Statements

Independent Auditor's Report to the Members of Skipton Building Society

Skipton Group

Independent Auditor's Report to Members

Opinion

In our opinion:

- the Group financial statements and the Society's financial statements (the "financial statements") give a true and fair view of the state of the Group's and the Society's affairs as at 31 December 2025 and of the Group's and the Society's income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements of Skipton Building Society (the 'Society') and its subsidiaries (together, the 'Group') for the year ended 31 December 2025 which comprise:

Group	Society
Consolidated Income Statement for the year ended 31 December 2025	Income Statement for the year ended 31 December 2025
Consolidated Statement of Comprehensive Income for the year ended 31 December 2025	Statement of Comprehensive Income for the year ended 31 December 2025
Consolidated Statement of Financial Position as at 31 December 2025	Statement of Financial Position as at 31 December 2025
Consolidated Statement of Changes in Member Interests for the year ended 31 December 2025	Statement of Changes in Member Interests for the year ended 31 December 2025
Consolidated Statement of Cash Flows for the year ended 31 December 2025	Statement of Cash Flows for the year ended 31 December 2025
Related notes 1 to 50 to the financial statements, including material accounting policy information	Related notes 1 to 50 to the financial statements including material accounting policy information
Information in respect of Country by Country Reporting on pages 288 to 289	
Information in the Annual Business Statement described as forming part of the audited Accounts on page 290	
Information identified as "audited" within the Directors' Remuneration Report	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Society and we remain independent of the Group and the Society in conducting the audit.

Independent Auditor's Report to Members (continued)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Society's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We obtained the Directors' going concern assessment, including the cash flow forecasts for the going concern period covering the 12 months from the date of signing this audit opinion.
- We compared the budgeted financial information with historical actual results, in order to form a view on the reliability of the forecasting process.
- We assessed the results of the Directors' stress testing including consideration of principal and emerging risks, on funding, liquidity and regulatory capital.
- We considered whether there were other events subsequent to the balance sheet date which could have a bearing on the going concern conclusion.
- We reviewed regulatory correspondence and committee and board meeting minutes to identify events or conditions that may impact the Group and Society's ability to continue as a going concern.
- We reviewed the Group and Society's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Society's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

In relation to the Group and Society's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and Society's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of two full scope components, audit procedures on specific balances for a further five specific scope components. • We performed centralised procedures on financial control and reporting, derivative financial instruments and hedge accounting, defined benefit pension schemes, information technology and taxation.
Key audit matters	• Measurement of loan impairment relating to retail and commercial mortgages • Fair value of the equity release portfolio • Revenue recognition in respect of estate agency income
Materiality	• Overall Group materiality of £14.6m which represents 5% of PBT, adjusted for non-recurring items.

An overview of the scope of the Society and the Group audits

Tailoring the scope

In the current year our audit scoping has been updated to reflect the new requirements of ISA (UK) 600 (Revised). We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures, with input from our component auditors, to identify and assess risks of material misstatement of the Group financial statements and identified significant accounts and disclosures. When identifying components at which audit work needed to be performed to respond to the identified risks of material misstatement of the Group financial statements, we considered our understanding of the Group and its business environment, the potential impact of climate change, the applicable financial framework, the Group's system of internal control at the entity level, the existence of centralised processes, applications and any relevant internal audit results.

Independent Auditor's Report to Members (continued)

The scoping for the current year is as follows:

Component	Scope	Key locations
Skipton Building Society	Full	United Kingdom
Connells Limited	Full	United Kingdom
Skipton International Limited	Specific	Channel Islands
Skipton Business Finance Limited	Specific	United Kingdom
Skipton Covered Bonds Limited Liability Partnership	Specific	United Kingdom
Darrowby No.6 PLC	Specific	United Kingdom
Jade Software Corporation Limited	Specific	New Zealand, United Kingdom

We determined that centralised audit procedures can be performed across the identified components in the following key audit areas:

Significant audit area on which procedures were performed centrally	Component subject to central procedures
Financial control and reporting	All components
Derivative financial instruments and hedge accounting	All relevant components (Skipton Building Society, Skipton International Limited, Skipton Covered Bonds Limited Liability Partnership, Darrowby No.6 PLC)
Defined benefit pension schemes	Skipton Building Society and Connells Limited (for one scheme held within the Connells Limited component)
Information technology	All components except Connells Limited, Skipton International Limited, Jade Software Corporation Limited
Taxation	All components except Skipton International Limited
Fees and commissions receivable and Administrative expenses	Jade Software Corporation Limited

We identified two components as individually relevant to the Group due the identified risks of material misstatement of the Group financial statements being associated with the reporting components and the financial size of the component relative to the Group.

For those individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the Group significant accounts on which centralised procedures will be performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component's account balance relative to the Group significant financial statement account balance.

We then considered whether the remaining Group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the Group financial statements. We selected seven components of the Group to include in our audit scope to address these risks.

Having identified the components for which work will be performed, we determined the scope to assign to each component.

Of the seven components selected, we designed and performed audit procedures on the entire financial information of two components ("full scope components"). For the remaining five components, we designed and performed audit procedures on specific significant financial statement account balances or disclosures of the financial information of the component ("specific scope components").

Independent Auditor's Report to Members (continued)

The key audit matters related to full scope components. The audit procedures in respect of the following key audit matters were performed by the Group audit team:

- Measurement of loan impairment relating to retail and commercial mortgages; and
- Fair value of the equity release portfolio.

Audit procedures over the following key audit matters were performed by the Connells Limited component audit team:

- Revenue recognition in respect of estate agency income.

The Group audit team's involvement with the Connells Limited component team and procedures performed included:

- Risk assessment procedures and determining the type and extent of work to be undertaken at each of the components;
- Regular interactions throughout the course of the audit, including planning meetings, maintaining regular communications on the status of the audit work, and meetings on results and conclusions;
- Undertaking component site visits over the course of the audit; and
- Reviewing key working papers and taking responsibility for the scope and direction of the audit process.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit engagement team, or by component auditors operating under our instruction.

The Group audit team followed a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visited component teams and held meetings with them to discuss the audit approach and any issues arising from their work. During the current year's audit cycle, visits were undertaken by the Group audit team to the component teams in the Channel Islands and United Kingdom, as well as a schedule of planned meetings held remotely. This schedule involved meeting with local management, attending planning and closing meetings, and reviewing relevant audit working papers on risk areas. The Group audit team interacted regularly with the component teams during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. Where relevant, the section on key audit matters details the level of involvement we had with component auditors to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact Skipton Building Society. The Group and the Society has determined that the most significant future impacts from climate change on their operations will be from physical and transitional risks. These are explained on pages 31 to 34 in the Strategic Report. The Group and Society have also explained their climate commitments on page 34 of that report. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group and Society's business and any consequential material impact on its financial statements.

The Group and Society have explained in Note 1 to the Annual Report and Accounts how they have reflected the impact of climate change in their financial statements including how this aligns with their commitment to long-term net zero targets. Significant judgements and estimates relating to climate change are included in Note 1 and Note 45. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining asset and liability valuations under the requirements of UK adopted international accounting standards.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating Directors' assessment of the impact of climate risk, physical and transitional, the Group's climate commitments, the effects of material climate risks and the significant judgements and estimates disclosed in Note 1 and whether these have been appropriately reflected in asset values where these are impacted by future cash flows and associated sensitivity disclosures, and in the timing and nature of liabilities recognised, following the requirements of UK adopted international accounting standards.

Independent Auditor's Report to Members (continued)

As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact on the following key audit matter: Measurement of loan impairments relating to retail and commercial mortgages. Details of the impact, our procedures and findings are included in our explanation of key audit matters below.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

The following risks have been identified as key audit matters.

Measurement of loan impairments relating to retail and commercial mortgages

Risk

(Group – 31 December 2025 £25.6m, 31 December 2024 £19.6m;

Society – 31 December 2025 £23.5m, 31 December 2024 £17.5m)

The measurement of the loan impairment provision under IFRS 9 is subjective and requires the Directors to exercise judgement with regards to estimating future losses that the Society may incur within the retail and commercial mortgage books. This calculation is complex and subjective due to the high uncertainty associated with the assumptions used. This includes the impacts of the continuing uncertain geopolitical and economic outlook. As a result, there is a need for the Directors to exercise judgement and perform assessments to consider whether these risks are appropriately captured through models or should be captured through the recording of post model adjustments.

Key judgements and estimates include:

- The application of multiple economic scenarios, including the appropriate weightings for the various scenarios.
- Completeness and valuation of post-model adjustments.
- Identifying assets that have experienced a significant increase in credit risk (SICR) since origination (stage 2) and those that are credit impaired (stage 3).
- Accounting interpretations, collateral valuations and modelling assumptions used to build the models and calculate the ECL.

Due to the degree of judgement that needs to be exercised by the Directors around the key assumptions into the Society's ECL model as well as the complexity of the calculation, this was considered a key audit matter.

Independent Auditor's Report to Members (continued)

Measurement of loan impairments relating to retail and commercial mortgages (continued)

Our response to the risk

We gained an understanding of the Society's processes, controls and assumptions used in the impairment process in order to evaluate the compliance of the Society's methodology with the requirements of IFRS 9.

Our substantive audit procedures over the residential and commercial IFRS 9 provision models included assessing the appropriateness of model design and the calculations used, challenging and substantiating key assumptions, such as: loss given default (LGD), significant increases in credit risk (SICR) and the staging applied, forward looking assumptions, and the determination of lifetime PDs.

We tested the assumptions, inputs and model calculations used in a risk-based sample of ECL models with the involvement of our internal credit modelling specialists. This included assessing the appropriateness of the model design, model performance and ECL replication testing.

With the support from our internal valuation specialists, we independently challenged the valuation of collaterals for a sample of commercial loans at the balance sheet date and considered assumptions about future recoverability.

We assessed the Society's staging criteria and independently reperformed staging on a sample of loans in stages 1, 2 and 3 for commercial loans and on the full population of residential loans to verify whether they were allocated appropriately, with reference to the Society's SICR criteria.

We assessed the base case and alternative economic scenarios adopted by the Directors utilising economic specialists. We challenged the number of scenarios used in the models, as well as the probability weightings ascribed to those scenarios. We compared them to other scenarios from a variety of external sources, as well as EY's internally developed forecasts. With the assistance of economics specialists, we assessed whether forecast macroeconomic variables were reasonably captured within the loan loss provision.

With our credit modelling specialists, we assessed the completeness and valuation of post model adjustments using our knowledge and experience across the UK lending sector and tested material adjustments for reasonableness of estimation with reference to observable market data.

We assessed the valuation of specific provisions held for a sample of non-performing loans. We also assessed a sample of individual loans classified as performing loans, where no specific provision was held to determine whether their stage classification was appropriate.

Our procedures included a series of "stand back" analyses, including industry benchmarking, internal consistency checks and analytical reviews.

Key observations communicated to the Board Audit Committee

We are satisfied that the ECL provisions were reasonable and recognised in accordance with IFRS 9. We highlighted the following matters to the Board Audit Committee that contributed to our overall conclusion:

- Observation in respect of the controls relevant to the valuation of ECLs.
- Results of our testing of models, model assumptions, the key data elements used for ECL calculation, including the reasonableness of the macroeconomic variables, scenarios and weightings used.
- Accuracy of staging and the reasonableness of management's staging criteria, and our independent sensitivity analysis on the staging criteria to assess appropriateness.
- Reasonableness and adequacy of the post-model adjustments recorded to reflect risk in the portfolios.
- Individually assessed impairments, the overall reasonableness of the provisions, including assumptions applied.

Independent Auditor's Report to Members (continued)

Fair value of equity release portfolio

Risk

(Group and Society – 31 December 2025 £263.1m, 31 December 2024 £277.2m;

Net gains / (losses) on the portfolios – 2025 £(6.4)m, 2024 £9.3m)

The Society holds three equity release mortgage portfolios that carry a no negative equity guarantee. This guarantee limits the Society's maximum return to the value of the relevant customer's property on redemption. The Society is therefore exposed to potential losses on the portfolio, albeit any loss is limited in part by a further guarantee provided to the Society by a third party. The Society uses equity release swaps to economically manage the interest rate risk and reduce overall income statement volatility that would otherwise result from changes in the fair value of the equity release mortgage portfolio.

The fair value of the equity release portfolio is determined using a complex model which uses a Monte Carlo simulation and a number of different judgmental assumptions to derive an estimated value. Two of the equity release swaps are also valued using a Monte Carlo based model. The key assumptions used in the models include:

- Discount rates, including illiquidity premia.
- Mortality rates.
- Future increases in house prices ('HPI').
- Prepayment rates

Due to the degree of judgement that needs to be exercised by the Directors around the key assumptions into the valuation model, and the complexity of the calculation, this was considered a key audit matter.

Our Response to the risk

We gained an understanding of the Society's processes, controls and assumptions used in the valuation of the equity release portfolio. We assessed the Society's accounting policies and methodologies related to the fair value of the equity release portfolio and the corresponding swaps for compliance with applicable accounting standards.

With support from our valuation specialists, we assessed the appropriateness of the valuation techniques and independently calculated a range of fair values for the equity release portfolio. We compared the modelled fair values against this range. Our valuation specialists assessed the valuation methodologies used in relation to the swaps, and independently calculated a range of fair values.

We challenged assumptions used in the fair value models, including the discount rate, mortality rates, future changes in house prices and prepayment rates. We compared assumptions applied in the fair value models to the Society's historical experience and benchmarked assumptions to observable market data where applicable. Where observable market data was not available we used specialist judgement and internal data to assess the reasonableness of these assumptions.

We performed testing over the completeness and accuracy of data used in the equity release models and underlying calculations. This involved testing a sample of key data fields used in the model to source data and corroborative evidence.

Key observations communicated to the Board Audit Committee

We consider that the valuation of the portfolio was reasonable. We highlighted to the Board Audit Committee the following matters which were relevant to our conclusion:

- Our observations in respect of the control environment to the valuation of the equity release portfolio.
- Reasonableness of the models used to calculate the fair value of the equity release portfolio and associated swaps.
- Reasonableness of key assumptions deployed in the valuation of the equity release portfolio and corresponding swap models in the context of the portfolio and current market conditions.

Independent Auditor's Report to Members (continued)

Revenue recognition in respect of estate agency income

Risk

(Group – 31 December 2025 £1,171.8m, 31 December 2024 £1,056.2m)

There is a risk that management may override controls and post unusual journals outside the expected flow of transactions in order to overstate revenue and achieve targets set within respective management incentive schemes. This risk is specific to manual revenue journals posted during the financial year within the estate agency revenue streams which are material to the Group.

Given the manual nature and volume of revenue transactions in the Connells Limited estate agency component, this was considered a key audit matter.

Our Response to the risk

We gained an understanding of the Group's processes and controls relevant to the recognition of estate agency income. We assessed the Group's accounting policy for estate agency income for compliance with IFRS 15.

We performed cut-off testing on a sample of transactions falling either side of the 31 December 2025 year end date.

We performed data analysis procedures to assess the recognition of revenue throughout the year. We performed testing over significant revenue streams using either data analysis tools or alternative substantive procedures. Where we used data analysis tools, we tested the correlation of revenue to trade receivables and cash receipts to verify the occurrence of revenue. Our alternative substantive procedures included tracing each sampled transaction back to appropriate evidence to assess whether the revenue was appropriately recorded in the correct period and at the correct value.

We performed testing over a sample of manual journal entries selected through a combination of risk-based and random sampling techniques across these revenue streams. We substantiated these journals to supporting documentation and validated that revenue recognition criteria had been fulfilled and that values were materially correct.

Key observations communicated to the Board Audit Committee

We concluded that the estate agency income recognised by the Group was reasonably measured. We communicated to the Board Audit Committee the following matters which were relevant to our conclusion:

- Our observations in respect of the control environment relevant to the recognition of estate agency revenue.
- We identified a correlation of transactions between revenue, trade receivables and cash, evidencing the appropriateness of the revenue recognised over the period.
- We did not identify any evidence of material misstatements in the revenue recognised or any instances of management override.

Independent Auditor's Report to Members (continued)

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £14.6m (2024: £15.9m), which is 5% of adjusted profit before tax (2024: 5% of profit before tax). We adjusted the Group's pre-tax profit by excluding the loss on disposal of the Society's Permanent Interest-Bearing Shares and the gain from disposal of business assets by Connells Limited.

We determined materiality for the Society to be £10.8m (2024: £10.8m), which is 5% of adjusted profit before tax (2024: 5% of adjusted profit before tax). We adjusted the Society's pre-tax profit by excluding dividend income from shares from subsidiary undertakings and the loss on disposal of the Society's Permanent Interest-Bearing Shares.

We believe that adjusted profit before tax provides us with an appropriate basis for materiality given the users of the financial statements (including the Society's members and regulators) principally focus on pre-tax profit in assessing the Group and Society's performance, and that normalising pre-tax profit results in the most useful measure for users of the financial statements.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2024: 75%) of our planning materiality, namely £10.9m (2024: £11.9m). We have set performance materiality at this percentage due to our previous experience as auditors of the Group, from which we concluded that there is a lower expectation of material financial statement inaccuracies due to our assessment of the overall entity-level controls, our testing of the operating effectiveness of certain financial reporting control environment, and no material audit differences resulting from our prior and current year work.

Our approach is consistent with the prior year.

Audit work was undertaken at component locations for the purpose of responding to the assessed risks of material misstatement of the group financial statements. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £2.1m to £8.7m (2024: £2.4m to £10.3m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board Audit Committee that we would report to them all uncorrected audit differences in excess of £0.7m (2024: £0.8m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report other than the financial statements, information of Country by Country Reporting, information identified as "audited" within the Directors' Remuneration Report, and information in the Annual Business Statement, described as forming part of the audited Accounts, and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to Members (continued)

Opinion on other matters prescribed by the Building Societies Act 1986

In our opinion:

- The Annual Business Statement and the Directors' Report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The information given in the Annual Business Statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Building Societies Act 1986 requires us to report to you if, in our opinion:

- Proper accounting records have not been kept by the Group and Society; or
- The Group or Society's financial statements are not in agreement with the accounting records; or
- We have not received all the information and explanations and access to documents we require for our audit.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Society's voluntary compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement are materially consistent with the financial statements or our knowledge obtained during the audit:

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 66 and 67;
- The Directors' explanation as to its assessment of the Society's prospects, the period this assessment covers and why the period is appropriate set out on page 67;
- The Directors' statement on fair, balanced and understandable set out on page 68;
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 67;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 96 to 97; and;
- The section describing the work of the Board Audit Committee set out on pages 84 to 90.

Directors' Remuneration Report

The Society voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The Directors have requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the Society were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 68, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Society or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to Members (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined below, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Society and the Directors.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant were the regulations, licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA) and the Building Societies Act 1986.
- We understood how the Group is complying with those frameworks by making enquiries of key management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the relevant regulatory bodies, reviewed minutes of the Board and Board Risk Committee meetings and gained an understanding of the Group's approach to governance demonstrated by the Board's approval of the Group's governance framework and the Board's review of the Group's Operational Risk Framework and internal control processes.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered performance and incentive plan targets and their potential to influence key management to manage earnings or influence the perceptions of investors and stakeholders.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of legal counsel, executive management, internal audit, consideration of whistleblowing events and focused testing as referred to in the Key Audit Matters section above. Our inquiries and procedures addressed subsidiaries in the Group including those audited by component teams. The Group audit team had regular communication with component teams to discuss the audit which included if there were any instances of non-compliance with laws and regulations and how these were responded to.
- The Group operates in the financial services sector which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Board Audit Committee, we were appointed by the Society on 10 May 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is seven years, covering the years ending 31 December 2019 to 31 December 2025.
- The audit opinion is consistent with the additional report to the Board Audit Committee.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with Section 78 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Blake Adlem (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
17 February 2026

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Skipton Group

Income Statements

For the year ended 31 December 2025		Group		Society	
£m	Notes	2025	2024	2025	2024
Interest receivable and similar income:					
Accounted for using effective interest rate method	2	**1,935.7**	2,069.8	**1,932.3**	2,056.9
Other	2	**21.2**	32.5	**24.5**	26.6
Total interest receivable and similar income	2	**1,956.9**	2,102.3	**1,956.8**	2,083.5
Interest payable and similar charges	3	**(1,442.0)**	(1,613.9)	**(1,514.6)**	(1,676.3)
Net interest receivable		**514.9**	488.4	**442.2**	407.2
Fees and commissions receivable	4	**1,215.0**	1,115.5	**37.9**	36.0
Fees and commissions payable		**(6.2)**	(5.9)	**(3.7)**	(3.3)
Fair value (losses) / gains on financial instruments mandatorily held at FVTPL	5	**(1.9)**	18.0	**1.7**	12.2
Charge on buy-back of Permanent Interest-Bearing Shares		**(27.9)**	-	**(27.9)**	-
Income from shares in subsidiary undertakings		**-**	-	**82.8**	36.0
Other operating income	6	**16.9**	3.2	**12.3**	9.4
Total income		**1,710.8**	1,619.2	**545.3**	497.5
Administrative expenses	7	**(1,423.4)**	(1,312.3)	**(262.4)**	(262.0)
Operating profit before impairment and provisions		**287.4**	306.9	**282.9**	235.5
Impairment and provisions	8	**(12.2)**	11.7	**(10.8)**	10.4
Profit before tax		**275.2**	318.6	**272.1**	245.9
Tax expense	12	**(66.2)**	(78.1)	**(49.5)**	(56.7)
Profit for the year		**209.0**	240.5	**222.6**	189.2

Attributable to:				
Members of the Society	**208.6**	240.5	**222.6**	189.2
Non-controlling interests	**0.4**	-	**-**	-
Profit for the year	**209.0**	240.5	**222.6**	189.2

Segmental performance of the Group is shown in Note 47.

The accompanying Notes form part of these financial statements.

Statements of Comprehensive Income

For the year ended 31 December 2025		Group		Society	
£m	Notes	2025	2024	2025	2024
Profit for the year		**209.0**	240.5	**222.6**	189.2
Other comprehensive (expense) / income:					
Items that will not be reclassified to Income Statement:					
Remeasurement losses on net defined benefit obligations	36	**(18.4)**	(3.7)	**(17.5)**	(2.7)
Income tax on items that will not be reclassified to Income Statement	40	**5.1**	1.0	**4.9**	0.8
Net other comprehensive expense that will not be reclassified to Income Statement		**(13.3)**	(2.7)	**(12.6)**	(1.9)
Items that may subsequently be reclassified to Income Statement:					
Cash flow hedging reserve:					
(Losses) / gains taken to equity		**(3.4)**	(29.6)	**17.5**	(35.2)
Realised (gains) / losses transferred to Income Statement		**(6.0)**	45.9	**(6.0)**	45.9
Fair value reserve:					
Gains / (losses) taken to equity		**6.0**	(1.7)	**6.0**	(1.8)
Cost of hedging reserve:					
Gains / (losses) taken to equity		**1.4**	(1.2)	**0.1**	-
Exchange differences on translation of foreign operations		**(0.4)**	(1.4)	**-**	-
Income tax on items that may be reclassified to Income Statement	40	**0.5**	(3.7)	**(4.9)**	(2.5)
Net other comprehensive (expense) / income that may subsequently be reclassified to Income Statement		**(1.9)**	8.3	**12.7**	6.4
Other comprehensive (expense) / income		**(15.2)**	5.6	**0.1**	4.5
Total comprehensive income		**193.8**	246.1	**222.7**	193.7

Attributable to:				
Members of the Society	**193.4**	246.1	**222.7**	193.7
Non-controlling interests	**0.4**	-	**-**	-
Total comprehensive income	**193.8**	246.1	**222.7**	193.7

The accompanying Notes form part of these financial statements.

Statements of Financial Position

As at 31 December 2025		Group		Society	
£m	Notes	2025	2024	2025	2024
Assets					
Cash in hand and balances with the Bank of England		**1,360.2**	1,930.6	**1,360.2**	1,930.6
Loans and advances to credit institutions	13	**353.3**	414.6	**304.7**	397.8
Debt securities	14	**4,269.4**	4,349.6	**4,275.4**	4,340.1
Derivative financial instruments		**350.8**	752.1	**333.1**	743.0
Loans and advances to customers held at amortised cost	15	**33,378.9**	30,601.1	**31,121.3**	28,334.9
Loans and advances to customers held at FVTPL	19	**0.8**	0.9	**0.8**	0.9
Equity release portfolio held at FVTPL	18	**263.1**	277.2	**263.1**	277.2
Current tax asset		**0.2**	3.0	**2.3**	-
Investments in subsidiary undertakings and joint ventures	20	**13.1**	11.2	**560.1**	509.3
Assets held for sale	21	**3.7**	-	**3.7**	-
Property, plant and equipment	22	**77.1**	80.9	**42.3**	43.1
Right-of-use assets	23	**107.0**	90.4	**8.0**	8.3
Deferred tax asset	34	**0.4**	6.3	**6.2**	11.2
Other assets	26	**177.7**	181.2	**26.5**	22.9
Intangible assets	25	**377.6**	311.4	**8.3**	4.2
Loan to defined benefit pension scheme held at FVTPL	35	**10.9**	-	**10.9**	-
Retirement benefit surplus	36	**-**	4.8	**-**	4.8
Total assets		**40,744.2**	39,015.3	**38,326.9**	36,628.3
Liabilities					
Shares	27	**30,526.3**	28,268.5	**30,524.3**	28,254.1
Amounts owed to credit institutions	28	**327.2**	1,599.6	**513.1**	1,800.6
Amounts owed to other customers	29	**2,719.6**	2,751.1	**1,171.9**	1,268.9
Debt securities in issue	30	**3,361.9**	2,435.3	**2,955.0**	1,930.1
Derivative financial instruments		**186.2**	225.1	**205.0**	282.2
Current tax liability		**2.3**	2.7	**1.5**	2.7
Lease liabilities	31	**110.3**	92.1	**8.2**	8.6
Other liabilities	32	**109.3**	86.6	**12.6**	11.0
Accruals and deferred income		**124.7**	114.7	**29.7**	27.6
Provisions for liabilities	33	**32.6**	31.8	**5.1**	5.3
Deferred tax liability	34	**0.6**	-	**-**	-
Retirement benefit obligations	36	**7.4**	8.6	**1.2**	-
Subordinated liabilities	37	**356.0**	690.2	**356.0**	690.2
Subscribed capital	38	**15.2**	41.6	**15.2**	41.6
Total liabilities		**37,879.6**	36,347.9	**35,798.8**	34,322.9

Consolidated Statement of Financial Position continues on page 135.

Statements of Financial Position (continued)

As at 31 December 2025		Group		Society	
£m	Notes	2025	2024	2025	2024
Members' interests					
General reserve		**2,855.1**	2,659.8	**2,524.7**	2,314.7
Fair value reserve		**(6.3)**	(10.6)	**(6.3)**	(10.6)
Cash flow hedging reserve		**9.8**	16.6	**9.6**	1.3
Cost of hedging reserve		**(0.4)**	(1.4)	**0.1**	-
Translation reserve		**2.8**	3.2	**-**	-
Attributable to members of the Society		**2,861.0**	2,667.6	**2,528.1**	2,305.4
Non-controlling interests		**3.6**	(0.2)	**-**	-
Total members' interests		**2,864.6**	2,667.4	**2,528.1**	2,305.4
Total liabilities and members' interests		**40,744.2**	39,015.3	**38,326.9**	36,628.3

The accompanying Notes form part of these financial statements.

These Accounts were approved by the Board of Directors on 17 February 2026 and were signed on its behalf by:

Gwyn Burr, Chair, Skipton Group

Stuart Haire, Group Chief Executive

Paul Chambers, Group Chief Financial Officer

Statements of Changes in Member Interests

Group £m	General reserve	Fair value reserve	Cash flow hedging reserve	Cost of hedging reserve	Translation reserve	Sub-total	Non-controlling interests	Total
For the year ended 31 December 2025								
Balance at 1 January 2025	**2,659.8**	**(10.6)**	**16.6**	**(1.4)**	**3.2**	**2,667.6**	**(0.2)**	**2,667.4**
Profit for the year	208.6	-	-	-	-	**208.6**	0.4	**209.0**
Other comprehensive (expense) / income net of tax:								
Remeasurement losses on defined benefit obligations	(13.3)	-	-	-	-	**(13.3)**	-	**(13.3)**
Net gains / (losses) from changes in fair value	-	4.3	(2.5)	1.0	-	**2.8**	-	**2.8**
Realised gains transferred to Income Statement	-	-	(4.3)	-	-	**(4.3)**	-	**(4.3)**
Exchange differences on translation of foreign operations	-	-	-	-	(0.4)	**(0.4)**	-	**(0.4)**
Other comprehensive (expense) / income	**(13.3)**	**4.3**	**(6.8)**	**1.0**	**(0.4)**	**(15.2)**	**-**	**(15.2)**
Total comprehensive income / (expense) for the year	**195.3**	**4.3**	**(6.8)**	**1.0**	**(0.4)**	**193.4**	**0.4**	**193.8**
Non-controlling interests arising on recognition of subsidiary undertakings with less than 100% ownership	**-**	**-**	**-**	**-**	**-**	**-**	3.4	**3.4**
Balance at 31 December 2025	**2,855.1**	**(6.3)**	**9.8**	**(0.4)**	**2.8**	**2,861.0**	**3.6**	**2,864.6**

Statements of Changes in Member Interests (continued)

Group £m	General reserve	Fair value reserve	Cash flow hedging reserve	Cost of hedging reserve	Translation reserve	Sub-total	Non-controlling interests	Total
For the year ended 31 December 2024								
Balance at 1 January 2024	2,422.0	(9.5)	4.9	(0.5)	4.6	2,421.5	(0.2)	2,421.3
Profit for the year	240.5	-	-	-	-	240.5	-	240.5
Other comprehensive (expense) / income net of tax:								
Remeasurement losses on defined benefit obligations	(2.7)	-	-	-	-	(2.7)	-	(2.7)
Net losses from changes in fair value	-	(1.1)	(21.3)	(0.9)	-	(23.3)	-	(23.3)
Realised losses transferred to Income Statement	-	-	33.0	-	-	33.0	-	33.0
Exchange differences on translation of foreign operations	-	-	-	-	(1.4)	(1.4)	-	(1.4)
Other comprehensive (expense) / income	(2.7)	(1.1)	11.7	(0.9)	(1.4)	5.6	-	5.6
Total comprehensive income / (expense) for the year	237.8	(1.1)	11.7	(0.9)	(1.4)	246.1	-	246.1
Balance at 31 December 2024	2,659.8	(10.6)	16.6	(1.4)	3.2	2,667.6	(0.2)	2,667.4

Statements of Changes in Member Interests (continued)

Society £m	General reserve	Fair value reserve	Cash flow hedging reserve	Cost of hedging reserve	Total
For the year ended 31 December 2025					
Balance at 1 January 2025	**2,314.7**	**(10.6)**	**1.3**	**-**	**2,305.4**
Profit for the year	222.6	-	-	-	**222.6**
Other comprehensive (expense) / income net of tax:					
Remeasurement losses on defined benefit obligations	(12.6)	-	-	-	**(12.6)**
Net gains from changes in fair value	-	4.3	12.6	0.1	**17.0**
Realised gains transferred to Income Statement	-	-	(4.3)	-	**(4.3)**
Other comprehensive (expense) / income	**(12.6)**	**4.3**	**8.3**	**0.1**	**0.1**
Total comprehensive income for the year	**210.0**	**4.3**	**8.3**	**0.1**	**222.7**
Balance at 31 December 2025	**2,524.7**	**(6.3)**	**9.6**	**0.1**	**2,528.1**

Society £m	General reserve	Fair value reserve	Cash flow hedging reserve	Cost of hedging reserve	Total
For the year ended 31 December 2024					
Balance at 1 January 2024	2,127.4	(9.3)	(6.4)	-	2,111.7
Profit for the year	189.2	-	-	-	189.2
Other comprehensive (expense) / income net of tax:					
Remeasurement losses on defined benefit obligations	(1.9)	-	-	-	(1.9)
Net losses from changes in fair value	-	(1.3)	(25.3)	-	(26.6)
Realised losses transferred to Income Statement	-	-	33.0	-	33.0
Other comprehensive (expense) / income	(1.9)	(1.3)	7.7	-	4.5
Total comprehensive income / (expense) for the year	187.3	(1.3)	7.7	-	193.7
Balance at 31 December 2024	2,314.7	(10.6)	1.3	-	2,305.4

The accompanying Notes form part of these financial statements.

Statements of Cash Flows

For the year ended 31 December 2025		Group		Society	
£m	Notes	2025	2024	2025	2024
Cash flows from operating activities					
Profit before tax		**275.2**	318.6	**272.1**	245.9
Adjustments for:					
Impairment charge / (credits) on financial instruments	39ai)	**11.7**	(15.9)	**2.1**	(16.7)
Depreciation and amortisation	22, 23, 24, 25	**68.2**	70.0	**8.7**	8.5
Impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets	22, 23, 24, 25	**5.6**	3.1	**(0.1)**	-
(Profit) / loss on disposal of property, plant and equipment, investment property and intangible assets		**(0.7)**	(0.7)	**(0.1)**	0.6
Fair value losses / (gains) on financial instruments held at FVTPL	39aii)	**1.9**	(18.0)	**(1.7)**	(12.2)
Interest on subordinated liabilities and subscribed capital	3	**32.1**	34.1	**32.1**	34.1
Interest on lease liabilities	3	**4.6**	3.1	**0.3**	0.3
Income from shares in subsidiary undertakings		**-**	-	**(82.8)**	(36.0)
Charge on buy-back of Permanent Interest-Bearing Shares (PIBS)		**27.9**	-	**27.9**	-
Other non-cash movements	39aiii)	**(7.9)**	(5.0)	**(16.3)**	(2.7)
		418.6	389.3	**242.2**	221.8
Changes in operating assets and liabilities:					
Movement in prepayments and accrued income		**(10.0)**	(3.4)	**(5.8)**	0.7
Movement in accruals and deferred income		**10.0**	6.8	**2.1**	(4.2)
Movement in provisions for liabilities		**(15.8)**	(10.1)	**-**	(0.2)
Net movement in derivatives		**80.7**	43.6	**71.5**	42.9
Movement in loans and advances to customers		**(2,456.3)**	(2,345.1)	**(2,451.9)**	(2,376.0)
Movement in shares		**2,199.5**	2,317.2	**2,199.5**	2,317.2
Net movement in amounts owed to credit institutions and other customers		**(1,303.9)**	(551.6)	**(1,384.5)**	(41.0)
Net movement in debt securities in issue		**908.0**	(5.9)	**1,024.9**	(312.4)
Net movement in loans and advances to credit institutions		**27.0**	169.2	**70.3**	180.9
Net movement in other assets		**(26.5)**	(44.7)	**(2.8)**	(0.3)
Net movement in other liabilities		**52.4**	32.8	**3.6**	(7.7)
Contributions to defined benefit pension scheme		**(14.4)**	(26.0)	**(10.7)**	(23.0)
Income taxes paid		**(56.4)**	(68.3)	**(47.8)**	(50.8)
Net cash flows from operating activities		**(187.1)**	(96.2)	**(289.4)**	(52.1)

Statements of Cash Flows (continued)

For the year ended 31 December 2025		Group		Society	
£m	Notes	2025	2024	2025	2024
Net cash flows from operating activities		**(187.1)**	(96.2)	**(289.4)**	(52.1)
Cash flows from investing activities					
Purchase of debt securities	14	**(2,274.6)**	(4,402.0)	**(1,410.3)**	(3,986.6)
Proceeds from maturities and disposals of debt securities		**2,416.6**	3,374.5	**1,537.7**	2,830.1
Dividends received from subsidiary undertakings		**-**	-	**82.8**	36.0
Increase in loans to subsidiary undertakings	20a)	**-**	-	**(50.8)**	(31.2)
Purchase of subsidiary undertakings in the year, net of cash acquired		**(21.8)**	-	**-**	-
Other investing activities	39bi)	**(52.1)**	(41.0)	**(23.2)**	(14.6)
Net cash flows from investing activities		**68.1**	(1,068.5)	**136.2**	(1,166.3)
Cash flows from financing activities					
Exercise of put options held by non-controlling shareholders		**(4.2)**	-	**-**	-
Buy-back of Permanent Interest-Bearing Shares (PIBS)		**(52.9)**	-	**(52.9)**	-
Redemption of subordinated liabilities		**(350.0)**	-	**(350.0)**	-
Interest paid on subordinated liabilities and subscribed capital		**(34.8)**	(33.5)	**(34.8)**	(33.5)
Interest paid on lease liabilities	31	**(4.6)**	(3.1)	**(0.3)**	(0.3)
Payment of lease liabilities	31	**(39.3)**	(39.3)	**(2.1)**	(2.3)
Net cash flows from financing activities		**(485.8)**	(75.9)	**(440.1)**	(36.1)
Net decrease in cash and cash equivalents		**(604.8)**	(1,240.6)	**(593.3)**	(1,254.5)
Cash and cash equivalents at 1 January		**2,053.7**	3,294.3	**1,984.6**	3,239.1
Decrease in impairment loss allowance on cash and cash equivalents	13	**0.1**	-	**0.1**	-
Cash and cash equivalents at 31 December		**1,449.0**	2,053.7	**1,391.4**	1,984.6

Analysis of the cash balances as shown within the Statement of Financial Position:

As at 31 December 2025		Group		Society	
£m	Notes	2025	2024	2025	2024
Cash in hand and balances with Bank of England		**1,360.2**	1,930.6	**1,360.2**	1,930.6
Loans and advances to credit institutions	13	**88.8**	123.1	**31.2**	54.0
Cash and cash equivalents at 31 December		**1,449.0**	2,053.7	**1,391.4**	1,984.6

The accompanying Notes form part of these financial statements.

Notes to the Accounts

Skipton Group

1. Accounting policies

The material accounting policy information relevant to these consolidated Annual Accounts is set out below.

a) Basis of preparation

The Annual Accounts of the Group and the Society are prepared in accordance with UK-adopted International Accounting Standards in accordance with the requirements of the Building Societies Act 1986 and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 that are applicable.

The Annual Accounts have been prepared under the historical cost convention as modified by the application of fair value measurements required or allowed by relevant accounting standards.

Governmental and societal responses to climate change risks continue to develop, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of uncertainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of applicable accounting standards. We have considered the impact of transitioning to a low-carbon economy and the physical risks from climate change on key estimates in the financial statements. Consideration was given, in particular, to the impact of climate risks on areas of estimation, and our going concern assessment. While the Group continues to enhance its ability to assess climate-related risks and given the uncertainties on the extent and timing of the manifestation of climate-related risks, the Group is currently unable to determine the full future economic impact on our business model, operational plans and our customers, and therefore the potential future impacts are not fully incorporated in these financial statements. The Group continues to monitor emerging regulatory expectations and is assessing how to enhance its capabilities over time, in line with material risk exposure.

In accordance with the Group's approach to net zero, initiatives continue to be progressed across the Group to reduce emissions and to support wider Environmental, Social and Governance (ESG) areas; progress made against emission reduction targets is monitored by management. As set out in the Strategic Report, during 2025 the Group has continued activity to raise awareness of the need to decarbonise UK homes; this includes our Energy Performance Certificate (EPC) Plus scheme that offers free EPC reports to Society members and colleagues, and sharing our experiences as we completed the Big Retrofit project near our Head Office in Skipton. Reaching the Group's net zero target depends on many external factors, including government policies, suppliers and customers. While these uncertainties may impact or challenge the Group in meeting its climate-related targets, the focus remains on reducing emissions within its control. Long tail climate risk scenarios have been considered by management and the Board and are factored into the Group's planning.

The Annual Accounts are presented in pounds Sterling and, except where otherwise indicated, have been rounded to the nearest one hundred thousand pounds.

b) Going Concern

The Annual Accounts are prepared on a going concern basis (see Directors' Report).

c) Changes to material accounting policies and other prior period adjustments

There have been no changes during the year to material accounting policies.

Prior period adjustments

i) During the year ended 31 December 2025, the Group reviewed its application in prior periods of the requirements of IFRS 7 *Financial Instruments – Disclosures* with respect to the disclosure of analyses of the carrying value of financial assets and financial liabilities into relevant maturity groupings, based on the remaining maturity period at the reporting date to the contractual maturity. This review identified misstatements where amounts previously reported by the Group (and Society) were not correctly allocated to the appropriate maturity grouping. This matter impacts only the tables of maturity analysis for the Group and Society that are presented for disclosure purposes in Note 43 Liquidity Risk. There is no impact for affected periods on the Group or Society's Income Statements, Statements of Financial Position or Statements of Cash Flows. In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, comparative amounts are restated as set out in the tables below.

1. Accounting policies (continued)

Note 43 Liquidity risk, year ended 31 December 2024

Group £m	Repayable on demand	Up to 3 months	3 -12 months	1 - 5 years	Over 5 years	No specified maturity	Total
Previously reported:							
Debt securities in issue	5.1	0.8	1,938.7	490.7	-	-	2,435.3
Total financial liabilities	12,335.2	4,469.8	13,220.5	5,009.1	485.1	598.9	36,118.6
Net liquidity gap	**(10,041.4)**	**(3,876.3)**	**(12,219.3)**	**(1,261.1)**	**30,004.7**	**(291.4)**	**2,315.2**
Adjustments:							
Debt securities in issue	(5.1)	5.1	(1,938.7)	1,938.7	-	-	-
Total financial liabilities	(5.1)	5.1	(1,938.7)	1,938.7	-	-	-
Net liquidity gap	**(5.1)**	**5.1**	**(1,938.7)**	**1,938.7**	**-**	**-**	**-**
Restated:							
Debt securities in issue	-	5.9	-	2,429.4	-	-	2,435.3
Total financial liabilities	12,330.1	4,474.9	11,281.8	6,947.8	485.1	598.9	36,118.6
Net liquidity gap	**(10,036.3)**	**(3,881.4)**	**(10,280.6)**	**(3,199.8)**	**30,004.7**	**(291.4)**	**2,315.2**

Note 43 Liquidity risk, year ended 31 December 2024

Society £m	Repayable on demand	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	No specified maturity	Total
Previously reported:							
Debt securities in issue	5.1	-	1,925.0	-	-	-	1,930.1
Total financial liabilities	11,909.7	3,993.1	12,173.2	5,145.4	458.8	598.9	34,279.1
Net liquidity gap	**(9,515.2)**	**(3,658.2)**	**(11,231.2)**	**(1,172.6)**	**27,984.5**	**(256.1)**	**2,151.2**
Adjustments:							
Debt securities in issue	(5.1)	5.1	(1,925.0)	1,925.0	-	-	-
Total financial liabilities	(5.1)	5.1	(1,925.0)	1,925.0	-	-	-
Net liquidity gap	**(5.1)**	**5.1**	**(1,925.0)**	**1,925.0**	**-**	**-**	**-**
Restated:							
Debt securities in issue	-	5.1	-	1,925.0	-	-	1,930.1
Total financial liabilities	11,904.6	3,998.2	10,248.2	7,070.4	458.8	598.9	34,279.1
Net liquidity gap	**(9,510.1)**	**(3,663.3)**	**(9,306.2)**	**(3,097.6)**	**27,984.5**	**(256.1)**	**2,151.2**

1. Accounting policies (continued)

ii) During the year ended 31 December 2025, the Society reviewed its application in prior periods of the requirements of IFRS 7 *Financial Instruments – Disclosures* with respect to the disclosure of interest amounts associated with intra-Group swaps between the Society and its subsidiary undertakings. This review determined that such amounts would most appropriately be presented within interest payable and similar charges on financial instruments held at FVTPL, specifically within 'Net expense on derivative financial instruments held for hedging liabilities'. In prior periods such amounts were included by the Society within interest payable and similar charges on financial liabilities held at amortised cost, specifically within 'Deposits and other borrowings - subsidiary undertakings'.

In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, comparative amounts are restated as set out in the tables below. There is no impact for affected periods on the Society's Income Statements, Statements of Financial Position or Statements of Cash Flows.

Note 3 Interest payable and similar charges, year ended 31 December 2024

Society	£m
Previously reported:	
On financial liabilities held at amortised cost:	
On deposits and other borrowings – subsidiary undertakings	**71.1**
Total on financial liabilities held at amortised cost	**1,392.1**
On financial instruments held at FVTPL:	
Net expense on derivative financial instruments held for hedging liabilities	**138.3**
Total interest payable and similar charges	**1,676.3**
Adjustments:	
On financial liabilities held at amortised cost:	
On deposits and other borrowings – subsidiary undertakings	**(46.7)**
Total on financial liabilities held at amortised cost	**(46.7)**
On financial instruments held at FVTPL:	
Net expense on derivative financial instruments held for hedging liabilities	**46.7**
Total interest payable and similar charges	**-**
Restated:	
On financial liabilities held at amortised cost:	
On deposits and other borrowings – subsidiary undertakings	**24.4**
Total on financial liabilities held at amortised cost	**1,345.4**
On financial instruments held at FVTPL:	
Net expense on derivative financial instruments held for hedging liabilities	**185.0**
Total interest payable and similar charges	**1,676.3**

1. Accounting policies (continued)

d) Basis of consolidation

Subsidiary undertakings

Subsidiary undertakings are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. In assessing control, only substantive rights (i.e. rights that can be practically exercised) are taken into account.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are recorded in the Society's Statement of Financial Position at cost, less any provision for impairment. The Group Accounts consolidate the financial statements of the Society and all its subsidiary undertakings, eliminating intra-Group transactions and balances.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the separately identifiable net assets acquired. Any goodwill arising is accounted for in accordance with the Group's accounting policy for goodwill (see Note 1e)). Any gain on a bargain purchase is recognised in profit or loss immediately. All transaction or acquisition costs are written off to the Income Statement as incurred.

In accordance with International Financial Reporting Standard (IFRS) 3 *Business Combinations (2008)*, goodwill is accounted for only upon the acquisition of a subsidiary undertaking or as a result of a business combination. Subsequent changes in the Group's interest in a subsidiary undertaking, where control is retained, are recognised in equity. In accordance with IFRS 10 *Consolidated Financial Statements (2011)*, for business combinations which have taken place from 1 January 2010 onwards, all transactions relating to ownership interests with non-controlling interests are recorded in equity if there has been no change in control.

When the Group loses control over a subsidiary, through disposal or other changes in circumstances, it derecognises the assets and liabilities of the subsidiary and any associated goodwill, as well as any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the Income Statement.

Put options

Within a number of subsidiary undertakings where the Group has less than 100% ownership, there is an option for the non-controlling shareholders to require the Group to purchase their shares at some point in the future. In accordance with IAS 32 *Financial Instruments: Presentation*, the Group recognises the present value of these options as a financial obligation, along with recognition of further goodwill on the future purchase of remaining non-controlling interests. Under this accounting policy the Group consolidates 100% of the results of such subsidiary undertakings to reflect the 100% implicit ownership in the recording of the future purchase of the non-controlling interests' shareholdings (i.e. the put option liability).

Any changes in the valuation of a put option obligation in respect of an entity acquired after 1 January 2010 are credited or charged through the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'. Put options issued prior to 1 January 2010 are accounted for in accordance with IAS 27 *Consolidated and Separate Financial Statements (2003)* and IFRS 3 *Business Combinations (2004)* and any adjustment to the Group's estimation of the present value of the put option liability results in an adjustment to goodwill. Dividends paid to the non-controlling interests are charged through the 'Administrative expenses' line in the Income Statement. The change in fair value of the liability due to the accretion of the discount of the liability is expensed through the Income Statement line 'Interest payable and similar charges'.

Joint ventures

A joint venture is an undertaking in which the Group has joint control and has rights to the net assets of the arrangement.

The results and assets and liabilities of joint ventures are accounted for in these consolidated financial statements using the equity method of accounting. Investments in joint ventures are carried within the Statement of Financial Position at cost, as adjusted by post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments.

1. Accounting policies (continued)

Equity share investments

An equity share investment is an investment in the share capital of a company where the Group does not have significant influence.

Unconsolidated structured entities

The Group invests in structured entities where the principal purpose of the structured entity is to provide investors with access to specific portfolios of assets and also provide the investor liquidity through the securitising of financial assets. A structured entity is one that has been set up so that any voting rights or similar rights are not the determining factor in deciding which party controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

A structured entity often has some or all of the following characteristics:

- Restricted activities;
- A narrow and well-defined objective;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support.

Third party funding entities

The Group invests in structured entities through the purchase of issued mortgage backed securities, as disclosed in Note 14. These structured funding entities are not consolidated into the Group Accounts because the Group does not have the ability to direct the activities of the entities in question and does not control these entities through voting rights, contractual rights, funding agreements or any other means. The Group's involvement is in relation to investment activity only.

Interests in unconsolidated structured entities

The Group's interests in unconsolidated structured entities refer to involvement that exposes the Group to variability of returns from the performance of the structured entities.

Income derived from involvement with unconsolidated structured entities

Interest income on funding provided to unconsolidated structured entities is recognised within the Income Statement line 'Interest receivable and similar income'.

Special purpose funding vehicles

The Society has transferred the beneficial interest in certain portfolios of loans and advances to customers to special purpose funding vehicles (SPVs). These SPVs enable the subsequent raising of debt, either by the SPVs or the Society, to investors who gain the security of the underlying assets as collateral. The SPVs are fully consolidated into the Group Accounts in accordance with IFRS 10.

The transfers of the beneficial interest in these loans to the SPVs are not treated as sales by the Society and are not derecognised. The Society continues to recognise these assets within its own Statement of Financial Position after the transfer because it retains substantially all the risks and rewards of these mortgage portfolios through the receipt of interest income and deferred consideration from the SPVs for the transfer of the beneficial interest in the mortgage loans. For securitisations, in the accounts of the Society, the proceeds received from the transfer of mortgage loans are accounted for as a deemed loan repayable to the SPV and are included in 'Amounts owed to other customers' within the Society's Statement of Financial Position.

Where the Society issues the debt, as is the case for the covered bonds (see Note 20a)), it then lends the proceeds on back-to-back terms to Skipton Covered Bonds Limited Liability Partnership (LLP); the proceeds lent to the LLP are known as the 'term advance'. Some or all of the proceeds from the term advance are then paid to the Society from the LLP as consideration for the beneficial interest in the mortgage pool and this is accounted for as a deemed loan repayable to the LLP. In the accounts of the Society, the term advance and the deemed loan are not recognised separately as additional assets and liabilities; the difference between the term advance and the deemed loan are shown net within the Society's Statement of Financial Position as an amount owed from subsidiary undertakings. This is to avoid the 'grossing up' of the Statement of Financial Position.

1. Accounting policies (continued)

To manage interest rate risk, the Society enters into interest rate swap arrangements with the LLP; the Society receives interest payments from the LLP relating to receipts on the mortgages in the pool and pays a floating rate of interest to the LLP. In accordance with IFRS 9 these swap arrangements are treated as part of the deemed loan and not separately fair valued because the relevant mortgage loans to which the interest swaps relate are not derecognised. All other derivatives relating to securitisations are treated as explained in Note 1f).

To manage currency risk arising from the Euro-denominated covered bond issuances, the LLP has entered into a cross-currency swap transaction. The derivative is designated in a hedge accounting relationship against the term advance, which mirrors the conditions of the debt issued, effectively hedging the debt issued by the Society. In accordance with IFRS 9, any cost for currency basis spread priced within the cross-currency swap is permitted to be excluded from the hedge relationship and is recognised directly in reserves (the cost of hedging reserve). The Group has elected to apply this treatment for this hedge relationship. See Note 1f) for further details.

Further details on the nature and amount of the beneficial interest transferred to the SPVs can be found in Note 16 to these financial statements.

1. Accounting policies (continued)

e) Intangible assets

Goodwill

Goodwill arising on the acquisition of Group undertakings or other businesses represents the excess of the fair value of the consideration paid over the fair value of separately identifiable net assets acquired at the date of acquisition. Goodwill arising on the acquisition of subsidiary undertakings is included in the 'Intangible assets' line within the Statement of Financial Position. Goodwill arising on the acquisition of joint ventures, associates or other businesses is included within the carrying value of the underlying investment within the Statement of Financial Position.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses, and is reviewed for impairment, at least, at each reporting date. Any impairment is recognised in the Income Statement.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of combination. Each unit or group of units to which the goodwill is so allocated shall a) represent the lowest level at which the goodwill is monitored for internal management purposes and b) not be larger than an operating segment; at Skipton Group level, the allocation of goodwill typically reflects the Group's operating segments.

The impairment test compares the carrying value of the CGU (or group of CGUs), being its net assets plus associated goodwill, to its associated value in use. The value in use calculations are carried out by discounting the forecast future cash flows of the CGU (or group of CGUs) to present value (see Note 25). Future cash flows are ordinarily based upon the corporate plans of the CGUs for the next five years and assumed growth thereafter, generally in line with long-term growth rates. The cash flows are extrapolated for subsequent years indefinitely (or a specific number of years where circumstances dictate), to reflect the fact that CGUs are held for the long-term. The Group estimates discount rates based upon the weighted average cost of capital which is adjusted to take account of the market risks associated with each CGU.

Goodwill arising on acquisitions before the transition to IFRS on 1 January 2005 has been retained at its previous UK GAAP amount and is reviewed for impairment, at least, at each reporting date, as above.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGUs on a pro-rata basis.

Computer software, databases, brands and customer contracts

In accordance with IAS 38 *Intangible Assets*, computer software, databases, brands and customer contracts are recognised as an intangible asset if, and only if, the cost incurred leads to the creation of an identifiable asset whose cost can be measured reliably and it is probable that the asset created will generate future economic benefits which will flow to the Group. Furthermore, brands and customer contracts are only eligible to be recognised as an intangible asset when purchased externally or when acquired as part of a business combination; internally generated brands and customer contracts are not capitalised. Expenditure incurred to maintain existing levels of performance is recognised as an expense as incurred.

Intangible assets are initially recognised at cost, or at fair value when acquired as part of a business combination, and subsequently amortised from the date they are available for use using the straight-line method over their estimated useful economic lives (unless deemed to have an indefinite economic life), which can be up to 10 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets are tested for impairment at each reporting date or when there is an indication of impairment. The Group identifies impairment by comparing the future economic benefit to the Group against the carrying value of the asset. The assessment of future economic benefit includes value in use calculations to determine recoverable amounts for cash generating units.

1. Accounting policies (continued)

f) Financial assets

In accordance with IFRS 9, the financial assets of the Group are each classified into one of three categories (amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL)), further details of which are provided below.

In classifying each financial asset, the Group assesses:

- The objective of the business model in which the financial asset is held; and
- Whether the contractual cash flows of the financial asset are 'solely payments of principal and interest' (SPPI).

Financial assets are reclassified when, and only when, the Group changes its business model for managing the assets.

Business model assessment

The Group's business model assessment is made at a portfolio level as this best reflects the way the business is managed and how information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, matching the duration of the financial assets to the duration of any related liabilities or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Solely Payment of Principal and Interest (SPPI) assessment

For the purposes of the Group's SPPI assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Contingent events that would change the amount or timing of cash flows;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

As a result of the assessments outlined above, the financial assets of the Group have been classified as follows:

At amortised cost

A financial asset is measured at amortised cost only if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

- It is held within a business model whose objective is to hold assets to collect contractual cash flows ('held to collect' business model); and
- Its contractual terms give rise on specified dates to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

1. Accounting policies (continued)

The following have been assessed by the Group to be in a 'held to collect' business model and to have cash flows that pass the SPPI test:

- Loans and advances to customers (except for a small number of loans held at FVTPL)
- Cash balances
- Loans and advances to credit institutions
- Trade receivables
- Loans to subsidiary undertakings (in the Society's Statement of Financial Position)

The Group's financial assets measured at amortised cost are initially recognised at fair value less any directly attributable transaction costs. The assets are subsequently measured at amortised cost using the effective interest method, less impairment loss allowances. The effective interest method calculates an interest rate which exactly discounts the forecast cash flows of an asset over its expected life back to its carrying value. For financial assets that are not credit-impaired (see Note 1h)), interest revenue is calculated by applying the effective interest rate to the gross carrying amount of the asset. For financial assets that are credit-impaired, interest revenue is calculated by applying the effective interest rate to the amortised cost of the asset.

In accordance with the effective interest method, directly attributable upfront costs and fees such as cashbacks, mortgage premia paid or discounts received on acquisition of mortgage books, lending charges paid by customers, procuration fees and completion fees are deferred and recognised over the expected life of mortgage assets. Upfront costs that are attributable to a mortgage asset's fixed interest rate period are amortised over that fixed rate period (or shorter period, if deemed appropriate). Historical and forecast mortgage redemption data and management judgement of future performance are used to estimate the expected lives of mortgage assets.

A change to management's estimate of expected mortgage lives results in an immediate adjustment to the carrying amount of the mortgage asset (discounted at its effective interest rate) at the point this change is made, which recalculates the carrying value to account for the revised assumptions.

Included in loans and advances to customers of the Society are balances which have been used to secure funding issued by the Group's special purpose funding vehicles which are consolidated into the Group Accounts, further details of which are included in Note 20a). The beneficial interest in the underlying loans has been transferred to these entities. The loans are retained within the Society's Statement of Financial Position as the Society retains substantially all the risks and rewards relating to the loans.

In accordance with IFRS 9, an impairment loss allowance is determined for financial assets at amortised cost in relation to expected credit losses (ECLs; see Note 1h) for details on measurement of ECLs). The movement in the impairment loss allowance recognised during the period is charged or credited to the Income Statement.

At fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ('held to collect and sell' business model); and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The majority of the Group's debt securities, which are held to manage liquidity requirements, have been assessed by the Group to be in a 'held to collect and sell' business model and to have cash flows that pass the SPPI test.

Financial assets held at FVOCI are initially recognised at fair value plus directly attributable transaction costs, with subsequent changes in fair value recognised in equity. The majority of fair values of financial assets held at FVOCI are based on quoted prices, which represent the bid price. Where debt securities held at FVOCI do not have quoted prices available, the fair value is based on the present value of discounted cashflows using market observable inputs.

1. Accounting policies (continued)

In accordance with IFRS 9, an impairment loss allowance is determined for debt securities measured at FVOCI in relation to ECLs. For debt instruments measured at FVOCI, the impairment loss allowance is not deducted from the carrying amount of the asset; instead the loss allowance is recognised through other comprehensive income. The movement in the impairment loss allowance recognised during the period is charged or credited to the Income Statement.

Interest income is recognised in the Income Statement on an effective interest basis. When the debt instruments are derecognised, the accumulated gains or losses within equity are reclassified to the Income Statement.

The premia and discounts arising on the purchase of these assets are amortised over the period to the maturity date of the security on an effective interest basis. Any amounts amortised are charged or credited to the Income Statement in the relevant financial periods.

At fair value through profit or loss (FVTPL)

All financial assets which are not classified as either amortised cost or FVOCI, as described above, are measured at FVTPL. This includes all derivative financial assets. On initial recognition the Group may irrevocably designate as FVTPL a financial asset that otherwise meets the requirements to be measured at either amortised cost or FVOCI, if so doing eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Loans and advances to customers

A small number of loans are held at FVTPL because they contain contractual cash flows which do not pass the SPPI test. These loans consist mainly of certain lifetime mortgages. The fair value of these loans is determined by discounting future expected cash flows. Where the portfolio is so small that a probabilistic methodology to estimate future cash flows is not appropriate, management assumes that voluntary prepayments will be 100% in year one.

Equity release portfolio

The Group holds an equity release portfolio. The mortgage products within this portfolio provide the customer with a ‘no negative equity guarantee’ (NNEG), which is an embedded derivative. Under IFRS 9, the equity release portfolio and the NNEG are assessed together as a hybrid financial instrument. The Group assessed the characteristics of the equity release cash flows and concluded that the contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest. As a result, the equity release portfolio is classified as FVTPL.

The existence of the NNEG means that the Group’s maximum return on redemption of these loans is limited to the value of the customer’s property at that time. The Group’s exposure to potential losses as a result of the NNEG is limited in part by a guarantee provided to the Group by a third party for the longevity element of this risk. Due to the structured nature of the portfolio there is no single industry pricing methodology and assumptions for valuing these products differ by institution. Further complexity arises on a portion of the portfolio due to the customer interest rate being linked to the Retail Price Index (RPI).

A stochastic model was chosen and devised internally for the purpose of valuing this portfolio. The model uses inputs including mortality rates, voluntary prepayment rates, estimates of future RPI and a House Price Index (HPI) to predict future cash flows on the portfolio. These are then discounted back to present value using a discount curve based on a Sterling Overnight Index Average (SONIA) curve plus an illiquidity spread. The illiquidity spread reflects the fact that no repayments are made by the customer until the product redeems which may be many years into the future.

Where possible the inputs are market-driven or, where no market-driven data is available, based on management judgement that is informed by observable data wherever possible. Due to the high level of variability within these inputs, the model also runs several thousand scenarios for both the RPI and HPI inputs.

1. Accounting policies (continued)

The Group has robust control procedures in place regarding all the inputs to the valuation model.

As this valuation technique uses one or more significant inputs that are not based on observable market data, it is classed as a Level 3 valuation technique. For further details on the different levels of the fair value hierarchy, see Note 46b). The impact of applying reasonably possible alternative assumptions of certain inputs into the valuation of the portfolio is found in Note 1v).

Interest income on the equity release portfolio is recognised in the Income Statement on an effective interest basis. Fair value gains or losses on the portfolio are recognised within the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'. Realised losses recognised on redemption of loans within the portfolio are recognised within the Income Statement line 'Impairment and provisions'.

Derivative financial instruments

The Group's derivative financial instruments, which are held solely for hedging purposes, are measured and held at fair value within the Statement of Financial Position. The Group has elected to adopt the hedge accounting requirements of IFRS 9 for all hedge relationships covered by those requirements. As permitted under IFRS 9, the Group continues to apply the requirements of IAS 39 for derivatives designated in a portfolio fair value hedge. For all other derivatives designated in a hedging relationship, the Group applies the requirements of IFRS 9.

The Group uses derivative financial instruments to hedge its exposure to market risks (for example, interest rate risk) arising from operational, financing and investment activities. In accordance with its treasury policy and the Building Societies Act 1986, the Group does not hold or issue derivative financial instruments for trading purposes. In line with accounting standards, the changes in fair value of derivatives used to hedge particular risks can either be offset in the Income Statement or deferred to equity.

There are two types of hedge accounting strategies that the Group undertakes and these are summarised below:

- Fair value hedges - Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability (or portion of a recognised asset or liability), any gain or loss on the hedging instrument is recognised in the Income Statement. To the extent that there is an effective hedge relationship, the associated hedged items (for example, mortgage assets) are stated at fair value in respect of the hedged risk, with any gain or loss also recognised in the Income Statement. As a result, fair value movements in the hedging instrument and in the hedged items offset each other and reduce income statement volatility. Any residual fair value hedge ineffectiveness is also recognised in the Income Statement. In order to calculate the fair value in respect of hedged risk in relation to mortgage assets and some retail savings, the Group applies estimated prepayment assumptions using historical analysis. For fair value hedge relationships where ineffectiveness would arise as a result of foreign currency basis spread, movements are recognised in other comprehensive income (OCI) through the cost of hedging reserve (see below) in accordance with IFRS 9.
- Cash flow hedges - Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability (or portion of a recognised asset or liability) or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in OCI and deferred in a separate reserve. The effective portion recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the Income Statement immediately.

In accordance with IFRS 9, where foreign currency basis spread arises in fair value hedge relationships, this is separated and excluded from the designation of a financial instrument as the hedging instrument; movements relating to the foreign currency basis spread are recognised in OCI through the cost of hedging reserve. The Group calculates the value of the foreign currency basis spread by comparing the change in value of the actual foreign currency hedging instrument (excluding fees not relating to the hedge relationship) and the value of a hypothetical instrument derived and valued using market data excluding foreign currency basis spread.

Hedge accounting relationships within the scope of IFRS 9 require hedge accounting to only be discontinued when the qualifying criteria are no longer met. Additionally, if the hedge no longer meets the qualifying criteria due to a mismatch in the hedge ratio, the relationship must be rebalanced if possible, rather than discontinuing hedge accounting.

1. Accounting policies (continued)

Fair values are determined by the three tier valuation hierarchy as defined in IFRS 13 *Fair Value Measurement* and Amendments to IFRS 7 *Financial Instruments: Disclosures* and as described in Note 46b). All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

In valuing derivatives used to hedge our mortgage and savings portfolios, the Group has not valued them as one net pool for market risk and credit risk management purposes as permitted under IFRS 13, but has valued each derivative individually.

Interest on derivatives is included within interest receivable where the derivative economically hedges an asset and within interest expense where the derivative economically hedges a liability, to align the recognition with its economic purpose.

Fair value gains and losses on derivatives and hedged items that are posted to the Income Statement are recognised in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'.

To the extent that the hedge is effective, unrealised fair value gains and losses on cash flow hedging derivatives are recognised in the cash flow hedging reserve.

Where the Group enters into a cross-currency swap, as is the case for the issuance of Euro-denominated covered bonds (see page 147), the Group recognises the movement in the fair value of these derivatives as follows:

- Foreign exchange movements are recognised in the Income Statement line 'Interest payable and similar charges';
- Movements due to interest rate risk are recognised in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'; and
- Movements due to foreign currency basis spread are recognised directly in the cost of hedging reserve as permitted by IFRS 9.

Equity share investments

Under IFRS 9 equity share investments are measured at FVTPL, except where an election is made at initial recognition to irrevocably designate an equity share investment that is not held for trading to be classified as FVOCI. The FVOCI election can be made on an instrument-by-instrument basis. The Group has made no FVOCI elections in respect of its existing equity share investments; the Group's equity share investments are therefore held at FVTPL. They are initially recognised at fair value, with subsequent changes in fair value being recognised in the Income Statement. Transaction costs are expensed to the Income Statement.

Share warrants

Within other assets of the Group are amounts recognised in respect of share warrants held, or vested, in unlisted entities. Amounts are also recognised, where appropriate, for certain put options associated with these share warrants; these put options contain conditional contractual rights for the Group to put the warrants back to the counterparty at a future date in exchange for cash. The Group assessed for these assets the characteristics of the related cash flows and concluded that the contractual terms fail the SPPI test; these assets are therefore classified by the Group as FVTPL. The fair value of share warrants is determined by reference to information included in independent third-party valuations. The fair value of related put options is based on management's assessment of the likelihood that criteria to receive payment will be met and is discounted for the weighted average cost of capital.

Loan to defined benefit pension scheme

The Group holds a loan to the Skipton Building Society (2015) Group Pension Scheme. The loan is held at FVTPL because it fails the SPPI test due to prepayment features that are contractually linked to the maturity and value of specific illiquid assets held by the scheme. The fair value of this loan is determined by discounting future expected cash flows. See Note 1v) for further details.

Debt securities

The Society holds in its Statement of Financial Position residential mortgage backed securities that were issued in previous periods by the Group's securitisation vehicles. Junior tranches of these securities are held at FVTPL because they fail the SPPI test due to an elevated level of credit risk relative to other tranches.

1. Accounting policies (continued)

g) Financial liabilities

In accordance with IFRS 9, the financial liabilities of the Group are classified as measured at either amortised cost or FVTPL. A financial liability is classified as at FVTPL if it meets the definition of 'held for trading', which includes derivatives (except for derivatives that are financial guarantee contracts or which are designated and effective hedging instruments). On initial recognition the Group may irrevocably designate as FVTPL a financial liability that otherwise meets the requirements to be measured at amortised cost if so doing results in more relevant information; this can be either because it eliminates or significantly reduces an accounting mismatch that would otherwise arise, or because a group of financial liabilities is managed and evaluated on a fair value basis.

Financial liabilities at FVTPL are measured at fair value. Gains and losses, including any interest expense, are recognised in profit or loss unless the financial liability is one that was designated as FVTPL, in which case fair value changes are presented as follows:

- The amount of fair value change that is attributable to changes in the credit risk of the liability is presented in other comprehensive income (except where this would create or enlarge an accounting mismatch in profit or loss); and
- The remaining amount of fair value change is presented in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with any interest expense being recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The financial liabilities of the Group have been classified as set out below:

Borrowings, comprising shares, deposits and debt securities in issue, and subordinated liabilities are recognised initially at fair value, being the amounts deposited or proceeds issued, net of premia, discounts and transaction costs incurred. Borrowings and subordinated liabilities are subsequently measured at amortised cost using the effective interest method. Derivative liabilities and the fair value of the put option obligation are measured at fair value through profit or loss.

Permanent Interest-Bearing Shares (PIBS) with no fixed maturity are classified as financial liabilities as opposed to equity instruments since their terms do not permit the Directors discretion to avoid the payment of interest, as the only instance where interest could not be paid on these instruments would be where capital levels are insufficient to allow such a payment to be made. PIBS are carried at amortised cost.

Where financial liabilities are hedged, the Group elects to use fair value hedging for those hedged financial liabilities. This treatment has been adopted to reduce the volatility that would otherwise exist given that the interest rate risk element of the underlying liabilities is economically hedged by derivatives which are held at fair value through profit or loss.

Within the Society's Statement of Financial Position, the deemed loan to the Society from Darrowby No. 6 plc is measured at amortised cost; management considers that amortised cost best reflects the economic value of the deemed loan, which is based on the value of the pool of mortgages that is used as collateral for the securitisation transaction (and this pool is also held at amortised cost).

1. Accounting policies (continued)

h) Impairment of financial assets

Under IFRS 9, impairment of financial assets is assessed using a forward-looking expected credit loss (ECL) model. This model applies to financial assets measured at either amortised cost or FVOCI (except any equity share investments held as such, as set out in Note 1f)). The Group recognises impairment loss allowances for ECLs on the following financial assets that are not measured at FVTPL:

- Loans and advances to customers;
- Loan commitments (where a firm offer has been made to the customer);
- Trade receivables;
- Treasury assets, which comprise debt securities held at FVOCI, cash in hand and balances with the Bank of England and loans and advances to credit institutions; and
- Loans to subsidiary undertakings (within the Society's Statement of Financial Position) and firm commitments made in relation to such loans.

Measurement of Expected Credit Losses (ECLs)

ECLs are an unbiased probability-weighted estimate of the present value of credit losses, taking account of forward-looking information that includes a range of possible economic outcomes. ECLs are measured as the difference between contractual cash flows and expected cash flows, discounted at the asset's effective interest rate. The assessment of impairment requires a number of estimates and assumptions, details of which are included in Note 1v). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The Group typically assesses ECLs on an individual asset basis.

IFRS 9 requires an impairment loss allowance to be recognised at an amount equal to either 12-month ECLs ('stage 1' ECLs) or lifetime ECLs. Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are ECLs that result from default events that are possible within the 12 months after the reporting date.

The Group measures impairment loss allowances at an amount equal to lifetime ECLs, except for the following which are measured as 12-month ECLs:

- treasury assets that are determined to have low credit risk at the reporting date. The Group considers a treasury asset to have low credit risk when its credit rating is equivalent to the globally understood definition of 'investment grade'; and
- other financial assets on which credit risk has not increased significantly since their initial recognition (except trade receivables, for which the Group will always recognise lifetime ECLs in accordance with the simplified approach in IFRS 9).

Lifetime ECLs are required where the credit risk on a financial asset has increased significantly since initial recognition (except for investment grade treasury assets, as noted above).

For the measurement of ECLs relating to residential mortgages and to treasury assets, the Group typically assesses the probability of default, the expected exposure at the time of default, and the loss that is expected to arise on default. The probabilities of default are adjusted to take account of expected customer redemptions.

For commercial mortgages, the Group applies an average loss rate approach. A lifetime coverage ratio is calculated, based on cumulative losses to date divided by the total value of loan balances redeemed over that period. The lifetime coverage ratio is applied to accounts held in stage 2 and stage 3, discounted at each account's EIR, to determine expected lifetime losses. For stage 1 accounts, a 12-month coverage ratio is applied, discounted at each account's EIR, to determine expected 12-month losses. For accounts held in stage 3, additional account-specific impairment is typically held based on management judgement. Due consideration is given to the impact of forward-looking information, including a range of possible future economic scenarios; where appropriate, the level of impairment held is adjusted accordingly.

For debt factoring advances, stage 1 ECLs are based on an average 12-month loss rate as adjusted for forward-looking assessments and other pertinent factors. For accounts held in stage 2 / stage 3, account-specific allowances are held based on management judgement.

1. Accounting policies (continued)

For trade receivables, the Group typically applies a simplified approach whereby, as permitted by IFRS 9, the level of impairment held is always based on lifetime ECLs. This approach includes the use of provision matrices based on historical credit loss experience, as adjusted for forward-looking factors.

For loan commitments where a firm offer has been made, ECLs are measured by the Group at 12-month losses for the percentage of such commitments expected to convert from an outstanding customer offer into a completed customer loan. The conversion factors applied are based on actual trends observed for the Group and are aligned with the Group's Internal Ratings-Based (IRB) approach for regulatory capital purposes.

Financial assets that are subject to the impairment requirements of IFRS 9 are described according to their ECL 'stage' as follows:

• 'Stage 1' - Assets for which a 12-month ECL is recognised;

• 'Stage 2' - Assets for which a lifetime ECL is recognised where there has been a 'significant increase in credit risk' but which are not credit-impaired;

• 'Stage 3' - Assets for which a lifetime ECL is recognised and which are 'credit-impaired'.

The Group's definitions of 'significant increase in credit risk' and 'credit-impaired' are detailed below. IFRS 9 includes specific requirements for financial assets that are credit-impaired when initially purchased or originated (POCI assets). For POCI assets, an entity recognises only the cumulative change in lifetime ECLs since initial recognition, discounted by the credit-adjusted effective interest rate. For POCI assets, interest revenue is accounted for using the credit-adjusted effective interest rate. The Group had no POCI assets during the current or prior period.

Forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since initial recognition and its measurement of ECLs. The time period over which the Group assesses forward-looking information is the maximum period over which the Group is exposed to credit risk. The Group determines a range of representative scenarios for the possible future direction of key economic variables; this includes forecasts of quarterly movements in these variables for years one to five, followed by phased transition assumptions for years six to ten, arriving at a view of long-run averages from year eleven onwards. The scenarios are derived by reference to external information where this is publicly available and appropriate, together with internally generated views. A probability-weighting, based on management judgement, is assigned to each scenario.

The Group's 'central' scenario represents a view of the most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The selection of alternative scenarios is intended to model the non-linear impact of economic factors on ECLs for the Group's financial assets.

For UK mortgage impairment, including SIL's UK buy-to-let portfolio, the Group typically considers three scenarios; this includes the central scenario, together with an upside scenario (more optimistic than the central scenario) and a downside scenario (more pessimistic than the central scenario). For non-UK mortgage impairment and for treasury asset impairment, the Group typically considers a central scenario and a downside scenario. Further details are included in Note 1v).

Significant increase in credit risk

The Group monitors all financial assets and loan commitments that are subject to IFRS 9's impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition of the asset. IFRS 9 includes a rebuttable presumption that credit risk has significantly increased when contractual payments are more than 30 days past due.

For relevant models, the Group uses internal credit risk metrics that reflect its assessment of the probability of default (PD) of individual counterparties. The credit risk of each exposure is assessed at initial recognition, based on the available information about the counterparty. For loans and advances to customers, the credit risk at initial recognition is typically assessed by reference to information as at the loan drawdown date; this information is not always held by the Group for loans drawn down prior to 2007, in which case the Group uses the earliest available information as a proxy (which is typically January 2007 data for pre-2007 loans that were originated by the Society). Exposures are monitored and the credit risk assessment is updated to reflect current information on an ongoing basis.

1. Accounting policies (continued)

For residential mortgages, the Group considers that credit risk has significantly increased if one or more of the following criteria are met:

• the remaining lifetime PD as at the reporting date, as compared to the remaining lifetime PD for this point in time that was estimated on initial recognition of the asset, exceeds pre-determined thresholds which are set by the Group and reviewed periodically. The thresholds applied will depend on the credit quality at initial recognition, with a lower percentage change in PD being required for higher risk accounts. The use of an absolute lifetime PD hurdle for residential mortgages is also applied where lifetime PD goes above 25%. Further details are included in Note 1v);

• the account is forborne (page 158);

• the account is in arrears (no minimum);

• the account term has expired; or

• the account has a temporary arrangement in place, arranged via the Mortgage Charter Scheme, to repay interest only.

For commercial mortgages, the Group considers that credit risk has significantly increased when an account is in arrears (no minimum) or is forborne.

For residential and commercial mortgages, the above criteria for assessing significant increase in credit risk ensures compliance with IFRS 9's backstop of more than 30 days past due.

For debt factoring advances, the Group considers that credit risk has significantly increased when an account is placed on a watchlist.

For treasury assets, the Group applies criteria that consider the relative increase in the asset's lifetime PD, by reference to external credit ratings where available. Notwithstanding these criteria, the Group considers that credit risk has not increased significantly for any treasury asset that is determined to have 'low' credit risk at the reporting date. The Group considers a treasury asset to have low credit risk when its credit rating is equivalent to the globally understood definition of 'investment grade'.

The Society's Statement of Financial Position includes loans to subsidiary undertakings that are repayable on demand. For these loans, the Society considers that credit risk has significantly increased when the subsidiary undertaking no longer has sufficient liquid assets to repay the loan if demanded at the reporting date or where other factors indicate that, in the judgement of management, a significant increase in credit risk has occurred; this assessment takes into account the specific characteristics of each subsidiary loan and the subsidiary's own business.

Definition of default

For residential mortgages, the Group's definition of default is aligned with its existing IRB definition of default for regulatory capital purposes. For IFRS 9 accounting purposes, stage 3 loans which no longer meet any of the default criteria are subject to a six month minimum probation period before they become eligible for transfer out of stage 3. Default occurs when one or more of the following criteria is met:

- The borrower is 90 days or more past due on their contractual payments.
- The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. The instances are:
    - the loan is in repossession;
    - the borrower has filed for bankruptcy;
    - at least two payments are in arrears and forbearance activity has been applied; or
    - other evidence is available that the customer is not going to be able to meet their loan commitments.

1. Accounting policies (continued)

For commercial mortgages, stage 3 loans which no longer meet any of the default criteria are subject to a three month minimum probation period before they become eligible for transfer out of stage 3. Default occurs when one or more of the following criteria is met:

• The borrower is 90 days or more past due on their contractual payments;

• The loan is in repossession;

• A receiver has been appointed;

• The mortgage term has expired; or

• Other evidence is available that the customer is not going to be able to meet their loan commitments.

For debt factoring advances, the Group considers that an account is in default when there is no reasonable expectation of recovery, typically due to financial difficulties of the customer.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets (other than those held at FVTPL) are credit-impaired. For those assets that have become credit-impaired, interest revenue is subsequently calculated by applying the effective interest rate to the amortised cost of the asset.

A financial asset is 'credit-impaired' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Evidence that a financial asset is credit-impaired includes the following:

- a breach of contract such as a default; or
- the disappearance of an active market for a security because of financial difficulties.

For residential and commercial mortgages, the Group considers that a loan that meets the definition of default is credit-impaired. For loans to no longer be considered credit-impaired, consistently good repayments must be demonstrated over a period of time, being not less than six months for residential loans and not less than three months for commercial loans.

For debt factoring advances, the Group considers that an account is credit-impaired when there is no reasonable expectation of recovery, typically due to financial difficulties of the customer.

To assess whether sovereign and corporate debt instruments are credit-impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

To assess whether trade receivables are credit-impaired, the Group considers factors such as the ageing profile, historical default rates and specific case knowledge.

Forbearance

In certain circumstances, the Group renegotiates loans to customers in financial difficulties (referred to as forbearance activities) to maximise collection opportunities and minimise the risk of default whilst ensuring the best outcome for the customer. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the customer is currently in default on their loan or if there is a high risk of default, there is evidence that the customer made all reasonable efforts to pay under the original contractual terms and the customer is expected to be able to meet the revised terms.

The revised terms typically include extending the maturity of the loan, changing the timing of interest payments or amending the terms of loan covenants. Both retail and commercial loans are subject to the forbearance policy. The Retail Credit Committee regularly reviews reports on forbearance activities.

For the purposes of disclosures in these financial statements, loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group had provided initially and that it would not otherwise consider.

1. Accounting policies (continued)

Write-offs

A financial asset is written off (in full or in part) when the Group judges there to be no reasonable expectation that the asset can be recovered (in full or in part). This is typically the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is performed at the individual asset level. The related impairment loss allowance is also written off once all the necessary procedures have been completed and the loss amount has crystallised. Financial assets that are written off could still be subject to enforcement activities and subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the Income Statement.

i) Financial assets and liabilities – modification, derecognition and offsetting

Modification

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new cash flows are substantially different to the original cash flows.

If the cash flows are substantially different, then the contractual rights to cash flows from the original loan are deemed to have expired. In this case, the original loan is derecognised (as discussed below) and a new loan is recognised initially at fair value. Where impairment is held against the original loan (i.e. the loan is not held at FVTPL), the original loan is derecognised from its existing impairment stage (which may be stage 1, stage 2 or stage 3) and the new loan is initially recognised in stage 1 with its new origination date. Thereafter, the assessment of whether there has been a significant increase in credit risk is made by reference to changes in credit risk for the new loan starting from the new origination date. Examples of loan modification events for which the Group typically applies derecognition include an existing borrower switching to a new mortgage product and an existing borrower porting their loan to a new property.

If the cash flows of a modified loan carried at amortised cost are not substantially different, then the modification does not result in derecognition of the loan (an example of a loan modification event for which the Group typically does not apply derecognition is the application of forbearance strategies). In this case, the Group recalculates the gross carrying amount of the loan and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the Income Statement. If such a modification is carried out because of financial difficulties of the borrower, the gain or loss is presented together with impairment losses. In other cases, it is presented within interest income. For residential mortgages, the Group assesses whether there has been a significant increase in credit risk by comparing the remaining lifetime PD as at the reporting date (based on the modified contractual terms) to the remaining lifetime PD for this point in time that was estimated at initial recognition (based on the original, unmodified contractual terms).

Derecognition

The Group derecognises a financial asset when the contractual rights to receive the asset's cash flows expire (including deemed expiry arising from a modification with substantially different terms as discussed above), or when the contractual rights have been transferred and either i) the Group transfers substantially all the risks and rewards of ownership, or ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of i) the consideration received (including any new asset obtained less any new liability assumed) and ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Society has not derecognised the loans transferred to the Group's special purpose funding vehicles because substantially all the risks and rewards are retained by the Society as detailed in Note 1d).

Financial liabilities are derecognised only when the obligation is discharged, cancelled or has expired.

1. Accounting policies (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount presented within the Statement of Financial Position when, and only when, the Group has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS. With the exception of bank balances included within 'Loans and advances to credit institutions', there are no other financial assets or liabilities which are offset within the Statement of Financial Position and all other financial assets and liabilities are presented on a gross basis. The Group has a cash-pooling arrangement in place with one of its banking counterparties between its subsidiaries and the Society. At the reporting date, the Group has a legally enforceable right to offset balances in these bank accounts and so, in accordance with IAS 32, the net presentation more appropriately reflects the substance of the arrangement. At 31 December 2025 the Group has offset £20.0m (31 December 2024: £18.0m) of balances against 'Loans and advances to credit institutions' that would otherwise be shown within 'Amounts owed to credit institutions' within the Statement of Financial Position.

j) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing rate of exchange. Exchange differences are taken to the Income Statement as they arise.

On consolidation, the income statements of subsidiary undertakings with non-Sterling functional currencies are translated into Sterling (the Group's presentational currency) at the monthly average rates for the period and their assets and liabilities are translated into Sterling at the closing rate of exchange at the reporting date. Any exchange differences arising on the translation of net assets of overseas subsidiary undertakings are taken to reserves as a separate component of equity and disclosed in the Statement of Comprehensive Income, except to the extent that the translation difference is allocated to the non-controlling interests.

Where a foreign operation is disposed of in its entirety, or partially disposed of such that control is lost, the cumulative amount of translation differences recognised as a separate component of equity is reclassified to the Income Statement as part of the gain or loss on disposal.

k) Taxation

The income tax expense or credit on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity and disclosed in the Statement of Comprehensive Income.

Current tax is the expected tax payable or receivable on the taxable income or expenditure for the year, using tax rates in force during the period, and any adjustments to tax payable in respect of previous years. Current tax assets and current tax liabilities are offset within the Statement of Financial Position if, and only if, the Group has a legally enforceable right to offset the recognised amounts and intends either to settle the taxes in question on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax recognises temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor income and expenditure, and differences relating to investments in subsidiary undertakings, associates and joint arrangements to the extent that it is probable they will not reverse in the foreseeable future. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date.

1. Accounting policies (continued)

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at least annually and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; in making this assessment, consideration is given to the likelihood of recovery within a reasonably foreseeable timeframe, typically the Group's five year corporate planning period. Deferred tax assets and deferred tax liabilities are offset if, and only if, the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and the Group has a legally enforceable right to offset the related current tax assets against the related current tax liabilities.

Pillar Two Model Rules

In December 2021 the Organisation for Economic Co-operation and Development (OECD) published detailed rules to assist in the development of a landmark reform to the international tax system, including 'Pillar Two' tax rules which apply to multinational enterprises with consolidated annual revenues of more than €750m and which seek to impose a minimum effective tax rate of 15% on each tax jurisdiction in which those enterprises operate.

IAS 12 *Income Taxes* does not offer specific guidance on accounting for Pillar Two income taxes; it is unclear whether the Pillar Two model rules create additional temporary differences, whether to remeasure deferred taxes for the Pillar Two model rules and which tax rate to use to measure deferred taxes. Further, the tax rate that will apply to an entity's excess profit in future periods depends on a number of factors that are difficult to forecast reliably.

In May 2023 the IASB published *International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12)*. The Amendments introduced a temporary mandatory exception from accounting for deferred taxes that arise from the Pillar Two model rules and a requirement to disclose that the exception has been applied. The Group has, for the years ended 31 December 2025 and 31 December 2024, applied the aforementioned exception from accounting for deferred taxes that arise from the Pillar Two model rules.

l) Leases

Definition of a lease

Under IFRS 16 a contract is a lease, or contains a lease, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the following practical expedient permitted by the standard:

- For the purposes of identifying leases held by the Group, the Group elected to retain the assessments previously made by the Group under IAS 17 and IFRIC 4; IFRS 16 was therefore initially applied at 1 January 2019 only to those contracts that were previously identified as leases under IAS 17 and IFRIC 4. Contracts existing at 1 January 2019 that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed. The new IFRS 16 definition of a lease is therefore applied by the Group only to contracts entered into, or changed, on or after 1 January 2019.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset becomes available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. Where an obligation is incurred by the Group, the cost also includes an estimate of costs for dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

If the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the right-of-use asset and the lease term. In accordance with IAS 36 *Impairment of Assets*, right-of-use assets are regularly reviewed, at least annually, for indications of impairment. Any impairment identified is charged to the Income Statement.

1. Accounting policies (continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments for this purpose include fixed payments (including in-substance fixed payments but deducting lease incentives receivable), variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option where reasonably certain to be exercised by the Group, and payments of penalties for terminating a lease (if the lease term reflects the Group exercising the option to terminate). Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

The present value of lease payments is determined using an appropriate discount rate. The Group uses the interest rate implicit in the lease where this can be readily determined; otherwise (and generally), the Group uses its incremental borrowing rate at the lease commencement date.

After the commencement date, the lease liability is increased to reflect the accretion of interest and is reduced for lease payments made. In addition, the lease liability is remeasured if there is a modification, a change in lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Exempt leases

The Group has elected to take the recognition exemption for short-term leases, except for property leases that are short-term by virtue of being under renegotiation. Short-term leases are those which, at the commencement date, have a lease term of not more than twelve months and do not contain a purchase option.

Except for leases of motor vehicles, the Group has elected to take the recognition exemption for leases for which the underlying asset is of low value when new. The Group considers an underlying asset to be of low value where its value, when new, is not more than approximately £4,000.

For exempt leases, the Group expenses lease rentals to the Income Statement on a straight-line basis over the lease term.

Other practical expedients

Certain of the Group's lease contracts contain non-lease components (e.g. service charges). Except for property leases, the Group has elected not to separate out the non-lease components and therefore to account for these as part of the lease component. For property leases, the Group accounts separately for lease components and non-lease components.

m) Employee benefits

Defined contribution pension arrangements

Obligations for contributions to defined contribution pension arrangements are recognised as an expense in the Income Statement as incurred.

Defined benefit schemes

The Group currently operates three defined benefit pension schemes. Each scheme is administered by a corporate Trustee and the funds of these schemes are separate from those of the Group.

Included within the Statement of Financial Position are the Group's net obligations in respect of the defined benefit pension schemes. The obligation of each scheme is calculated separately by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods.

That benefit is discounted to determine its present value, and the fair value of any scheme assets is deducted. The discount rate is based on the average yield available from AA-rated corporate bonds of appropriate duration. The calculation is performed by a qualified actuary using the projected unit credit method.

Net interest income for the defined benefit schemes comprises interest income on plan assets, less the interest cost on the scheme liabilities, and interest on the effect of the asset ceiling. Net interest income relating to the defined benefit pension schemes is recognised in 'Other operating income' in the Income Statement.

1. Accounting policies (continued)

Remeasurements of retirement benefit obligations, which comprise actuarial gains or losses (arising from the differences between previous actuarial assumptions and actual experience), the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised in the Statement of Comprehensive Income.

Service costs are recognised immediately in the Income Statement. When a plan is curtailed, the resulting gain or loss on settlement is also recognised immediately in the Income Statement. The Group recognises gains or losses on the settlement of a retirement benefit obligation when the settlement occurs.

Contributions are transferred to the schemes on a regular basis to secure the benefits provided under the rules of the schemes. Pension contributions are assessed in accordance with the advice of a professionally-qualified actuary.

n) Fees and commissions

The Group recognises fees and commissions receivable in accordance with IFRS 15 *Revenue from Contracts with Customers*. Revenue is measured based on the consideration specified in a contract with a customer.

Financial advice fees and commissions

Fees and commissions receivable from financial advice are recognised when both the customer has formally accepted and all of the advice within their case has been contracted in the financial markets. A provision for future clawbacks is made for repayment in the event of early termination by the customer.

Estate agency services

Estate agency commissions earned on the sales of properties and land and auction income are recognised on the date contracts are exchanged unconditionally. Property management income is typically recognised when the cash is received, which reflects the point at which income is earned and contractual obligations have been fulfilled; an element of lettings income has been assessed as transferred over time, in line with the performance obligations in the contract. Insurance commission is recognised upon fulfilment of contractual obligations with a provision for future clawback repayment in the event of early termination by the customer. Survey and valuation revenue is recognised on the date the survey or valuation report is completed, which reflects the point at which all contractual obligations have been fulfilled; revenue and costs are recognised gross of sub-contracted panel fees. Mortgage origination income is typically recognised on completion of the mortgage transaction; an element of this income has been assessed as transferred over time, in line with the performance obligations in the contract. Asset management commission is recognised on exchange of contracts and additional services are recognised upon completion of work, both of which reflect the point at which all performance obligations are considered to have been fulfilled.

Commercial property services

Income from commercial property services includes consultancy and advisory services, property management and valuation services. Income is recognised either at a point in time when services have been fully provided, or over a period of time as activity progresses and reflecting the satisfaction of performance obligations. Under certain service contracts, the Group manages client expenditure and is obliged to purchase goods and services from suppliers that are recharged to the customer at cost; such items are excluded from the amounts reported by the Group for revenue and for expenses.

Software products and services

Revenue from software licence fees is recognised when access to the software has been made available to the customer to enable implementation. Revenue from implementation and consulting services is recognised in proportion to the stage of completion, typically in accordance with the achievement of contract milestones or days expended. Customer support revenue and systems management revenue are recognised on a straight-line basis over the period of the service rendered. The amount of revenue recognised is adjusted for expected returns. Fees and commissions payable are generally recognised on an accruals basis as services are received.

1. Accounting policies (continued)

o) Property, plant and equipment

Property, plant and equipment is measured at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of those items.

Depreciation is calculated to write down the cost of items of property, plant and equipment to their estimated residual values over their estimated useful lives as set out below on a straight-line basis unless stated otherwise.

Freehold and long leasehold buildings	**50 to 100 years**
Special purpose freehold head office facilities	**40 years**
Refurbishment of freehold and long leasehold buildings	**5 to 10 years**
Short leasehold buildings	**Period of lease**
Equipment, fixtures and fittings	**2 to 10 years**
Motor vehicles	**25% reducing balance**

Land is not depreciated. Major items of property, plant and equipment purchased are depreciated on a monthly basis from the date the asset is available for utilisation. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted where appropriate. In accordance with IAS 36 *Impairment of Assets*, all items of property, plant and equipment are regularly reviewed, at least annually, for indications of impairment. Any impairment identified is charged to the Income Statement.

Subsequent expenditure on items of property, plant and equipment is capitalised only if the subsequent expenditure increases the item's revenue generating capabilities and it is probable that future economic benefits associated with the expenditure will flow to the Group.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in 'Other operating income' in the Income Statement.

p) Segmental reporting

In accordance with IFRS 8 *Operating Segments*, each operating segment is determined according to distinguishable operating components of the Group for which discrete financial information is available. The chief operating decision maker, the Board, regularly reviews internal reporting for each segment to appropriately allocate resources and assess their performance. The Group does not aggregate any of its operating segments for the purposes of financial reporting.

q) Cash and cash equivalents

For the purposes of the Statements of Cash Flows, cash comprises cash in hand and unrestricted loans and advances to credit institutions repayable on demand; it excludes the mandatory deposit the Society is required to place with the Bank of England. Cash equivalents comprise highly liquid unrestricted investments, typically with original maturities of less than three months, that are readily convertible into known amounts of cash with an insignificant risk of changes in value.

The Statements of Cash Flows have been prepared using the indirect method.

r) Investment properties

Properties held by the Group for capital appreciation or which earn rentals are recognised as investment properties at cost less depreciation and impairment losses. The depreciation policy for investment properties is consistent with the policy for property, plant and equipment. Investment properties are regularly reviewed for indications of impairment and any impairment identified is charged to the Income Statement.

Rental income from investment property is recognised over the term of the lease and is included in 'Other operating income' in the Income Statement.

Any gain or loss on disposal of investment property is also recognised in 'Other operating income'.

1. Accounting policies (continued)

s) Sale and repurchase agreements

Investments and other securities may be lent or sold subject to a commitment to repurchase them (a 'repo'). Such securities are retained within the Statement of Financial Position when substantially all the risks and rewards of ownership remain with the Group and the liability associated with the cash advanced is included separately within the Statement of Financial Position.

The difference between the sale and repurchase price is accrued over the life of the agreement and recognised within net interest income.

t) Provisions for liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date. Further details can be found in Note 33.

u) Software as a service (SaaS)

A SaaS arrangement is a type of cloud computing arrangement, in which the supplier provides the customer with access to application software residing on the supplier's cloud infrastructure; this infrastructure typically comprises a collection of hardware and software, including networks, servers, operating systems and storage. SaaS arrangements can include other services, such as technical support, implementation, data migration, business process mapping, training and project management. The customer typically pays an all-inclusive fee on a periodic basis. In addition, implementation costs may be incurred at inception of the arrangement.

Where the Group enters into a SaaS arrangement, the Group recognises a software asset only if such an asset is received at commencement of the arrangement, either in the form of an intangible asset or a software lease, and only from the date on which the Group obtains control of the software; otherwise, the arrangement is accounted for as a service contract.

When accounting for a SaaS arrangement as a service contract, fees paid by the Group are prepaid and amortised on a systematic basis over the period to which they relate. Subject to the terms of the arrangement, implementation costs associated with configuration and customisation of the software may also, where appropriate, be prepaid over the period to which they relate. All other costs associated with implementation, including internal time and resources, are expensed to the Income Statement as incurred.

1. Accounting policies (continued)

v) Critical accounting judgements and estimates in applying accounting policies

Critical judgements

The Group has to make judgements in applying its accounting policies which affect the amounts recognised in the financial statements. The key judgements management has made in applying the Group's accounting policies are set out below.

Impairment of mortgage loans and advances

Assessing loan impairment in accordance with IFRS 9 requires the following key judgements:

- determining whether credit risk has significantly increased since the loan was initially recognised; and
- the definition of default.

Residential mortgages

For residential mortgages, management judges that significant increase in credit risk is determined by reference to certain quantitative and qualitative criteria. The quantitative criteria involve measuring the relative increase in lifetime probability of default (PD) for the loan. The qualitative criteria include the loan being in forbearance, in arrears, term expired or has a temporary arrangement in place (via the Mortgage Charter Scheme) to repay interest only. Management has further judged that the definition of default should align with the Group's existing IRB definition for regulatory capital purposes. For IFRS 9 accounting purposes, stage 3 loans which no longer meet any of the default criteria are subject to a six month minimum probation period before they become eligible for transfer out of stage 3. Further details are found in Note 1h).

Commercial loans

For commercial mortgages, management judges that credit risk has significantly increased when an account is in arrears (no minimum) or has a live forbearance arrangement in place. When there is other evidence available that the borrower will be unable to meet their loan commitments, the account is deemed to be in default and thus transfers to Stage 3; in such cases, account specific impairment is held based on management judgement. For IFRS 9 accounting purposes, stage 3 loans which no longer meet any of the default criteria are subject to a three month minimum probation period before they become eligible for transfer out of stage 3. Further details are found in Note 1h).

IFRS 16

When accounting for leases in accordance with IFRS 16 the Group makes the following key judgements that have an effect on the reported amounts of assets and liabilities:

Lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease where this is reasonably certain to be exercised, or any periods covered by an option to terminate the lease where this is reasonably certain not to be exercised.

Many of the Group's leases, particularly property leases, contain options for the Group to extend and / or terminate the lease term. The Group applies judgement in evaluating whether it is reasonably certain to exercise these options, taking account of all relevant factors that create an economic incentive for it to do so. After the lease commencement date, the Group reassesses the lease term if there has been a significant event or change in circumstances that is within its control and which affects its ability to exercise (or not to exercise) the option to renew and / or to terminate (e.g. a change in business strategy).

1. Accounting policies (continued)

Critical estimates

The Group also makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year.

Estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key estimates and assumptions are set out below.

Impairment of residential mortgages

The estimation of credit exposures for risk management purposes is complex and requires the use of models, a number of inputs into which are sources of estimation and require the Group to apply judgement. Key sources of estimation the Group uses to measure ECLs include:

- Probability of Default (PD) – the probability at a point in time that a customer will default;
- Exposure at Default (EAD) – the expected outstanding loan amount at the time of default;
- Loss Given Default (LGD) – the loss that is expected to arise on default, taking account of expected recoveries from collateral held;
- Thresholds to determine whether credit risk has significantly increased; and
- Use of forward-looking information.

For residential mortgages, ECLs are measured by multiplying together the PD, EAD and LGD, and are discounted using the loan's original effective interest rate. EAD is derived by adjusting the current outstanding loan amount for expected cashflows to the date of default. LGD is estimated on a discounted cash flow basis using the effective interest rate. The Group's LGD models consider factors including historical recovery rates and possible future property price changes.

Credit risk information is collected by the Group, based on a range of qualitative and quantitative data considered to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. The Group's PD models use the relevant information to generate estimates of the remaining lifetime PD of exposures and how these are expected to change over time. The PDs are adjusted to take account of expected customer redemptions and also for the impact of forward-looking information.

The following data is typically used to monitor the Group's exposure to credit risk:

- Payment record, including payment ageing analysis;
- Forbearance activity;
- Changes in business, financial and economic conditions;
- Credit reference information supplied by external agencies; and
- Internally generated data of customer behaviour, affordability metrics etc.

For residential mortgages, the assessment of whether credit risk has significantly increased includes assessing the degree by which the remaining lifetime PD at the reporting date has increased compared to initial estimates. The Group determines thresholds for this purpose, expressed as a multiple of the initial PD estimate. The thresholds vary according to the credit quality of the loan at initial recognition and they are set with the aim of identifying accounts with significant increase in credit risk (SICR) before the borrower misses a payment. The Group periodically reviews the effectiveness of the SICR criteria in achieving this objective. As a result of this review, the multiples applied by the Group have been revised during the year in order to enhance effectiveness; details of the changes, which do not materially impact these financial statements, are set out below.

1. Accounting policies (continued)

Multiple by which remaining lifetime PD has increased compared with initial estimate

Lifetime PD band at initial recognition	Applied at 31 December 2025	Applied at 31 December 2024
Slight risk	**Initial estimate x 8**	Initial estimate x 9
Low risk	**Initial estimate x 4**	Initial estimate x 5
Medium risk	**Initial estimate x 3**	Initial estimate x 4
High risk	**Initial estimate x 1**	Initial estimate x 1

The Group also applies an absolute lifetime PD hurdle for residential mortgages where lifetime PD goes above 25%. These accounts are considered to meet SICR and will automatically be migrated to Stage 2.

The review of SICR criteria also resulted in a change to the qualitative SICR criteria, to align the probation period for forborne accounts with that used in certain regulatory reporting standards.

Impairment of commercial loans

For commercial loans, the Group applies a Loss Rate method to measure ECLs; 12-month and lifetime loss rates are calculated based on the Group's average commercial losses since closure of the portfolio in 2008. Management considers the most critical estimates and assumptions to be the lifetime loss rate and any account-specific impairment based on management judgement.

Forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since initial recognition and its measurement of ECLs. In accordance with IFRS 9, the Group's estimate of ECLs is an unbiased and probability-weighted amount that reflects a range of possible outcomes. As outlined in Note 1h), the Group determines a range of representative scenarios for the possible future direction of key economic variables and a probability-weighting is assigned to each scenario. The Group's central scenario represents a view of the most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. In addition, the Group incorporates an upside scenario (representing a more optimistic view than the central scenario) and a downside scenario (representing a more pessimistic view than the central scenario); the selection of these alternative scenarios is intended to model the non-linear impact of economic factors on ECLs for the Group's mortgage portfolios.

The scenarios applied by the Group as at 31 December 2025 were determined with due consideration to the significant economic uncertainties arising from continuing geopolitical tensions and conflicts.

1. Accounting policies (continued)

The Group's central scenario as at 31 December 2025 assumes minimal growth in 2026 and 2027, constrained by increases in UK government taxation. Geopolitical tensions continue into 2026, keeping pressure on inflation. Whilst a period of real wages growth has given some respite to households, pressures remain; UK government policy announced in the Autumn 2025 budget will weigh further on household income. Unemployment peaks in 2026, but by historical standards remains relatively low into the medium-term. Businesses continue to feel the impacts of inflation and rising wage bills, including the increase to the National Minimum / Living Wage. Inflation peaked in 2025 and continues to run generally above the 2% target until mid-2027. After a Base Rate cut in Q2 2026, the Bank of England holds rates at 3.50% until mid-2029; rates then increase again from late 2029. House prices grow in 2026, though UK government policies then constrain the housing market into the medium-term.

The Group's upside scenario as at 31 December 2025 assumes the economy grows strongly in 2026 and 2027, allowing the UK government to reduce / remove some fiscally-constraining policies in the medium-term. Inflation falls swiftly, aided by de-escalation of tensions in Ukraine and the Middle East; in response, the Bank of England reduces Base Rate to 3.00% by Q2 2026 and holds into the medium-term. Consumer confidence rises and unemployment reduces to 4.0%. There is strong house price growth into the medium-term.

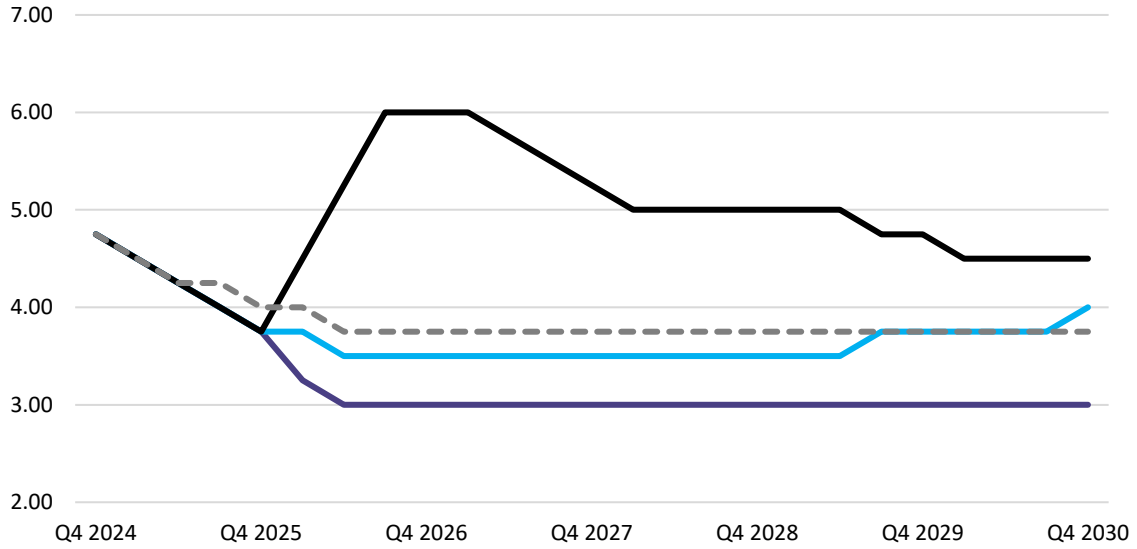
The Group's downside scenario as at 31 December 2025 assumes significant escalation of geopolitical tensions in eastern Europe. Oil prices swiftly increase and inflation spikes, with particular impact on energy and food prices. Further pressures come from climate change and UK government fiscal constraints. The impacts on disposable income and investment are felt by households and businesses respectively. Unemployment increases and remains elevated throughout the forecast period. The Bank of England swiftly increases Base Rate and this remains higher for a sustained period. The impact on affordability is significant and house prices fall in 2026 and 2027; recovery is slow such that the overall impact on the housing market is severe.

The key economic variables considered by the Group when developing the forecast scenarios are set out below for the first five years of each of the Group's scenarios. For years six to ten the Group applies phased transition assumptions, arriving at a view of long-run averages from year eleven onwards; the Group's view of long-run averages can differ from the historical long-term mean and is derived by reference to both external information, where this is publicly available and appropriate, and internally generated views. As noted above, the assumptions assigned to each scenario have been revised during the year taking account of significant economic uncertainties.

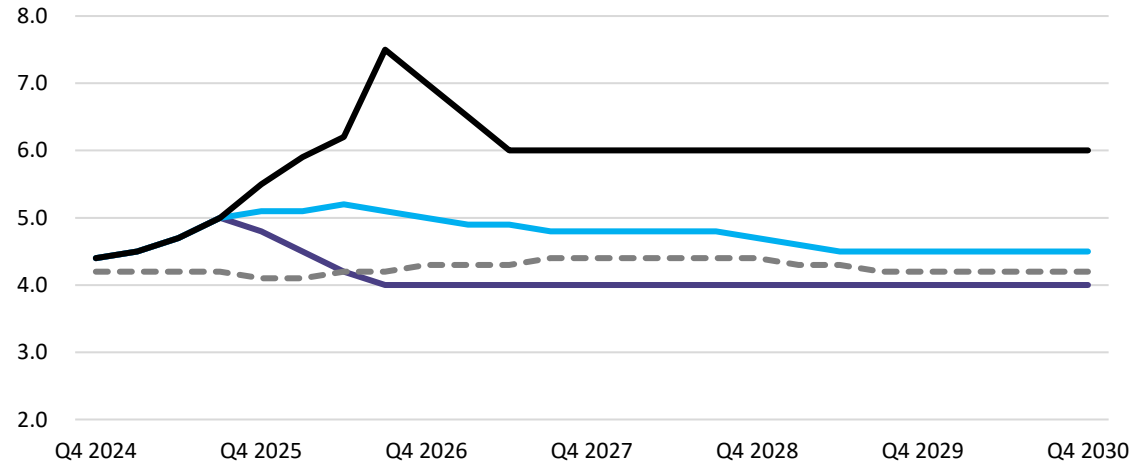
The graphs below show the historical and forecasted UK Bank Base Rate, unemployment rate and indexed residential house prices for the Group's three economic scenarios as at 31 December 2025, along with the prior year central scenario for context (as forecasted at 31 December 2024). The indexed residential house price graph uses a starting value of 100 in the fourth quarter of 2024 for illustrative purposes, to show how a property value moves over time when the annual house price inflation (UK) assumptions are applied.

1. Accounting policies (continued)

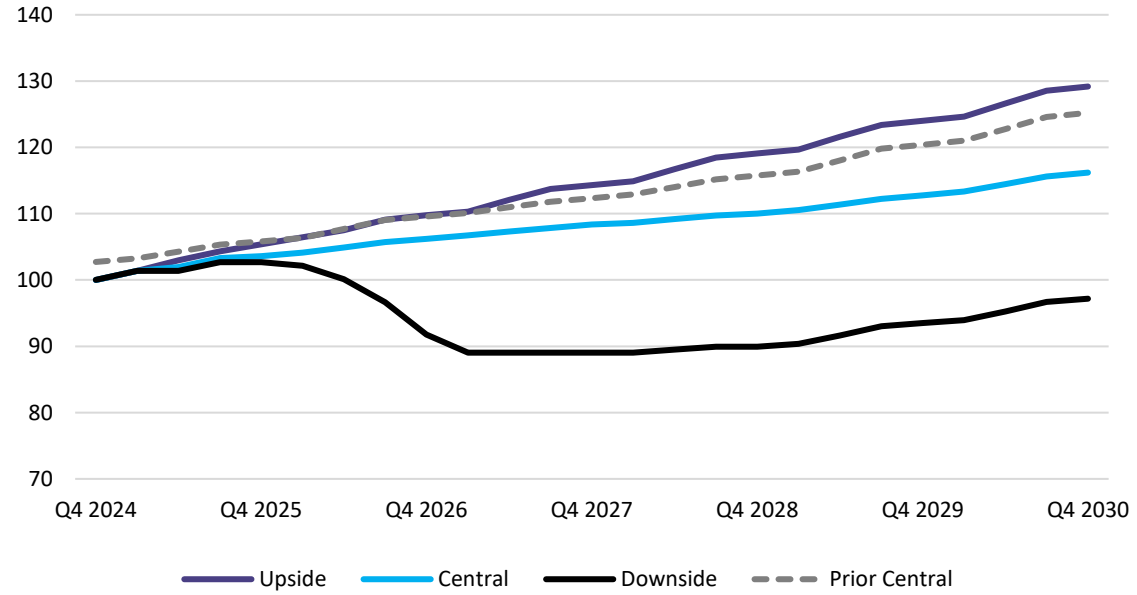
UK Bank Base Rate (%)



Unemployment rate (%)



Indexed residential house price



1. Accounting policies (continued)

Economic Variables

As at 31 December 2025	Notes	Scenario	2026	2027	2028	2029	2030
Bank of England Base Rate (%)	A	Upside	**3.00**	**3.00**	**3.00**	**3.00**	**3.00**
		Central	**3.50**	**3.50**	**3.50**	**3.75**	**4.00**
		Downside	**6.00**	**5.25**	**5.00**	**4.75**	**4.50**
Unemployment (%)	A	Upside	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**
		Central	**5.0**	**4.8**	**4.7**	**4.5**	**4.5**
		Downside	**7.0**	**6.0**	**6.0**	**6.0**	**6.0**
UK House price inflation (%)	B	Upside	**4.2**	**4.2**	**4.2**	**4.2**	**4.2**
		Central	**2.5**	**2.0**	**1.5**	**2.5**	**3.0**
		Downside	**(10.6)**	**(3.0)**	**1.0**	**4.0**	**4.0**

As at 31 December 2024	Notes	Scenario	2025	2026	2027	2028	2029
Bank of England Base Rate (%)	A	Upside	3.50	3.50	3.50	3.50	3.50
		Central	4.00	3.75	3.75	3.75	3.75
		Downside	6.00	6.00	5.00	5.00	5.00
Unemployment (%)	A	Upside	4.0	4.0	4.0	4.0	4.0
		Central	4.1	4.3	4.4	4.4	4.2
		Downside	6.7	6.0	6.0	6.0	6.0
UK House price inflation (%)	B	Upside	4.2	4.2	4.2	4.2	4.2
		Central	3.0	3.5	2.5	3.0	4.0
		Downside	(1.0)	(11.5)	(1.0)	1.0	4.0

Notes

A. The Bank of England Base Rates and unemployment rates are the position at 31 December each year.

B. House price inflation is the annual growth rate in each year. In addition to house price inflation, the Group's residential impairment calculations also include a 'forced sale discount' reflecting the likely reduction in property price when selling a repossessed property. The forced sale discount is calculated at account level, taking into account the specific circumstances of each account and the property in question.

1. Accounting policies (continued)

Economic variables (peak or trough over 5 year forecast period)

	Notes	Scenario	2025	2024
Bank of England Base Rate (%)	A	Upside	**3.00 / 3.75**	3.50 / 4.25
		Central	**3.50 / 4.00**	3.75 / 4.75
		Downside	**3.75 / 6.00**	4.75 / 6.00
Unemployment (%)	B	Upside	**4.8**	4.1
		Central	**5.2**	4.4
		Downside	**7.5**	7.0
UK House price inflation (%)	C	Upside	**22.6 / 0.0**	22.6 / 0.0
		Central	**12.1 / 0.0**	17.2 / 0.0
		Downside	**0.0 / (13.3)**	0.0 / (13.3)

Notes

A. Bank of England Base Rate is showing the lowest/highest rate that occurs at any time during the 5 year forecast period.

B. Unemployment is showing the highest rate that occurs at any time during the 5 year forecast period.

C. House price inflation is showing the largest cumulative growth/fall from 1 January 2026 (2024: from 1 January 2025) over the 5 year forecast period.

The relative weightings assigned to each scenario have also been reviewed during the year taking into account the basis of each scenario and also the level of uncertainty over the economic outlook, both domestic and global. The Group's scenario weightings as at 31 December 2025 are 55% for the central scenario, 15% for the upside scenario and 30% for the downside scenario (31 December 2024: central scenario 60%, upside scenario 10%, downside scenario 30%).

Whilst actual loan cash flows and the level of losses realised are unaffected by IFRS 9's expected credit loss approach, the level of loan impairment accounted for by the Group under IFRS 9 can be volatile; this is due to the inherent uncertainty when incorporating forward-looking information. IFRS 9 impairment is expected to vary as expectations of economic conditions become either more pessimistic (which is likely to increase ECLs) or more optimistic (which is likely to reduce ECLs).

Management assesses the performance of the Group's ECL estimation process by comparison of actual and expected model outputs; some component outputs are back-tested for lifetime outcomes and some component outputs are back-tested for 12-month outcomes. Additional assurance is gained from validation of the composite sub-models. The ECL calculation is subject to formal quarterly monitoring, with outputs reported to the Society's Model Risk Committee for review, challenge and approval. In addition, the ECL calculation and all sub-components are subject to regular first-line review and independent validation.

Where necessary, judgmental adjustments are included within ECLs to reflect identified risks not captured in model outputs; these adjustments are made through either:

- Post-model adjustments (PMAs) – adjustments to the ECL model output which are typically calculated, and allocated, at a granular level through modelled analysis; or
- Overlays – adjustments to the ECL model output that have been made outside the detailed ECL calculation and reporting process; overlays are likely not to meet the definition of PMAs (for example, they may not be calculated at a granular level through modelled analysis).

Each material judgmental adjustment is subject to approval by the Retail Credit Committee and subject to oversight by the Board Audit Committee.

1. Accounting policies (continued)

With respect to mortgage loan impairment, the Group and the Society held judgmental adjustments as follows:

ECLs – Judgmental adjustments		Group		Society	
£m	Notes	2025	2024	2025	2024
Residential mortgages					
Model Risk – downturn	A	**2.7**	1.3	**2.7**	1.3
Flats subject to fire safety risks	B	**2.1**	1.4	**2.1**	1.4
		4.8	2.7	**4.8**	2.7

Notes

A. This PMA is held to address model risk in the downturn scenario where key assumptions are expected to behave differently in a recession; there is currently insufficient data available to establish, and thus to model, robust relationships for these assumptions. The PMA was derived by considering the reduction in redemption rates and reduction in cure rates (following default) as observed during the global financial crisis 2007-2008; these were applied to the model, on a judgement basis, to understand the impact to model outputs.

B. This PMA is held to reflect the risks associated with flats subject to fire safety risks such as unsuitable cladding. Due to limited available data to identify affected properties individually, an assumption is made, in line with UK market exposure estimates, regarding the affected proportion of flats in the Group / Society's residential portfolio; assumptions relating to property values have also been applied.

1. Accounting policies (continued)

To give an indication of the sensitivity of ECLs to different economic scenarios, the tables below show what the ECL would be if a 100% weighting is applied to each scenario. The tables also show for each scenario what percentage share of gross loan exposures would be held in each of Stage 1 and Stage 2.

2025	Notes	Scenario weighting (%)			ECL (£m) (Note A)				Share of Gross Exposures (%) (Note B)	
		Upside	Central	Downside	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2
Residential										
Actual probability weighted ECL		15	55	30	**8.6**	**5.4**	**7.6**	**21.6**	**97.8**	**1.8**
100% upside		100	-	-	**2.8**	**2.2**	**6.1**	**11.1**	**98.3**	**1.3**
100% central		-	100	-	**3.8**	**3.3**	**6.9**	**14.0**	**98.0**	**1.6**
100% downside		-	-	100	**11.7**	**13.1**	**13.1**	**37.9**	**95.6**	**4.0**
Commercial										
Actual probability weighted ECL		15	55	30	**0.4**	**0.3**	**1.9**	**2.6**	**80.9**	**9.9**
100% upside	C, D	100	-	-	**0.4**	**0.3**	**1.9**	**2.6**	**80.9**	**9.9**
100% central	C, D	-	100	-	**0.4**	**0.3**	**1.9**	**2.6**	**80.9**	**9.9**
100% downside	C, D	-	-	100	**0.4**	**0.3**	**1.9**	**2.6**	**80.9**	**9.9**

2024	Notes	Scenario weighting (%)			ECL (£m) (Note A)				Share of Gross Exposures (%) (Note B)	
		Upside	Central	Downside	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2
Residential										
Actual probability weighted ECL		10	60	30	4.5	2.5	6.5	13.5	98.5	1.1
100% upside		100	-	-	2.2	1.1	4.7	8.0	98.6	1.0
100% central		-	100	-	2.7	1.3	5.0	9.0	98.6	1.0
100% downside		-	-	100	8.1	5.4	8.6	22.1	98.2	1.4
Commercial										
Actual probability weighted ECL		10	60	30	0.2	0.2	4.3	4.7	82.2	5.2
100% upside	C, D	100	-	-	0.2	0.2	4.3	4.7	82.2	5.2
100% central	C, D	-	100	-	0.2	0.2	4.3	4.7	82.2	5.2
100% downside	C, D	-	-	100	0.2	0.2	4.3	4.7	82.2	5.2

Notes

A. For the purposes of calculating each scenario's 100% weighted ECL, each loan is allocated to a stage by considering only that scenario. For the purposes of the actual probability-weighted ECL, each loan's stage allocation is based on a weighted average PD (that takes account of all scenarios) and this stage allocation is held constant across the scenarios; a probability-weighted 12-month or lifetime ECL (which also takes account of all scenarios) is then calculated for each loan based on that stage allocation.

B. For the purposes of this analysis, gross exposures include the off-balance sheet loan commitments for which the Group holds ECLs (see Note 1h)).

C. For the Commercial portfolio, the Group applies a Loss Rate approach to assessing impairment (see Note 1h)). Under this approach, commercial ECLs do not vary according to scenario weightings.

D. For the Commercial portfolio, the staging of gross exposures is driven by factors that do not include scenario weightings (such as arrears and sector factors); the share of gross exposures held in each stage does not therefore vary according to scenario weightings.

1. Accounting policies (continued)

The following tables outline the impact on the impairment loss allowance for the residential and commercial loan portfolios of possible alternative assumptions of certain estimates used in calculating the ECLs. Each sensitivity shown considers one change in isolation and the combined impact on the impairment loss allowance of more than one sensitivity occurring would not necessarily be the sum of the impact of the individual sensitivities. Similarly, the impacts of each sensitivity should not be extrapolated due to the likely non-linear effects.

Impact on impairment loss allowance of changes to assumptions

Residential

£m	Notes	Changes to assumption	Group		Society	
			Increase / (decrease) in impairment loss allowance			
			2025	2024	2025	2024
Downside scenario weighting	A	Absolute increase of 10%	**1.6**	0.7	**1.5**	0.7
Significant increase in credit risk criteria	B	Relative reduction by 25%	**0.4**	0.1	**0.4**	0.1
Future house price inflation	C	+ / - 0.5% pa	**(0.9) / 1.0**	(0.5) / 0.6	**(0.9) / 1.0**	(0.4) / 0.5
Unemployment	D	+ / - 0.5% pa	**0.9 / (0.8)**	0.5 / (0.4)	**0.9 / (0.8)**	0.5 / (0.4)

Notes

A. This sensitivity shows the impact of an increase of 10% to the probability weighting assigned to the downside scenario, from 30% to 40% (2024: from 30% to 40%), with a relative decrease to the probability weighting assigned to each of the central and upside scenarios.

B. As outlined above, the assessment of whether credit risk has significantly increased since initial recognition includes the degree by which the remaining lifetime PD at the reporting date has increased compared to initial estimates. This sensitivity shows the impact of simultaneously reducing each multiplier threshold by 25%.

C. This sensitivity shows the impact if annual house price inflation in each future year was 0.5% higher / lower than the assumptions applied by the Group or Society.

D. This sensitivity shows the impact if unemployment rates in each future year were 0.5% higher / lower than the assumptions applied by the Group or Society.

Commercial

£m	Notes	Changes to assumption	Group		Society	
			Increase / (decrease) in impairment loss allowance			
			2025	2024	2025	2024
Lifetime Loss Rate	A	+ / - 1%	**0.1 / (0.1)**	0.2 / (0.2)	**0.1 / (0.1)**	0.2 / (0.2)

Notes

A. This sensitivity shows the impact of an increase / decrease of 1% to the Lifetime Loss Rate.

B. The table above does not include a sensitivity for account-specific impairment based on management judgement (see page 168); this element of impairment is, by nature, a discrete assessment for which there is no meaningful or representative variable. At 31 December 2025 the total commercial impairment allowance held included £1.8m (Group and Society) in respect of account-specific impairment based on management judgement (2024: Group and Society £4.2m).

Impairment of treasury assets

The Group incorporates forward-looking information into its ECL assessment for treasury assets. In addition to the central scenario, the Group also considers the impact of an extreme economic downturn such as a two-notch downgrade on the entire portfolio. At 31 December 2025, the relative weightings assigned to each scenario were 95% for the central scenario and 5% for the downside scenario (2024: central scenario 95%; downside scenario 5%).

1. Accounting policies (continued)

The following table outlines the impact on the impairment loss allowance for treasury assets of possible alternative assumptions of certain estimates used in calculating the ECLs.

Impact on impairment allowance of changes to assumptions		Group (£m)		Society (£m)	
Assumption	Change to current assumption	Increase in impairment allowance			
		2025	2024	2025	2024
Downside scenario weighting	Absolute increase of 10%	**0.1**	0.1	**0.1**	0.1
Downside scenario weighting	Increase to 100%	**1.1**	1.1	**1.1**	1.1

Valuation of equity release portfolio

The valuation of the equity release portfolio relies on the calculation of future cash flows. The size and timing of these can vary depending on a number of different factors. These factors include future expected house prices, future expected inflation, mortality rates, anticipated redemption profiles (arising due to voluntary redemption, death or a move to long-term care) and market driven yield curves.

Some of the factors are based on market expectations (e.g. market-implied RPI swap prices are used to construct a forward-looking inflation curve in order to forecast future expected cash flows receivable from the portfolio), whilst others are derived from historical trends on the portfolio (e.g. anticipated future voluntary redemptions). However, where market prices are not available and historical trends are not deemed to be appropriate the Group uses management judgement; this is the case for future house price index (HPI) growth and property price volatility. Management has reviewed these expectations during the year with due consideration to the uncertainties in the current economic environment.

The expectations of the economic inputs that require management judgement are in line with the economic environment that forms the central scenario as outlined on pages 168 and 169; further detail on the movements in the portfolio in the year can be found in Note 18.

The Group uses an expectation of HPI growth that is aligned to that used for the central path of the ECL model and corporate planning as set out above, reverting to a long run expectation of an average of 3% (2024: long run average of 4%). This is considerably lower than long-term historical levels and reflects management's view. A volatility assumption is also used within the model, which allows for an expected range of realised growth around the central HPI growth figure.

A property volatility assumption of 13% (2024: 13%) is used; the property volatility assumption considers index volatility, adjustments for autocorrelation, basis risk and concentration risk, and is not used in conjunction with a dilapidation assumption.

At 31 December 2025 the equity release portfolio is held in the Statement of Financial Position (Group and Society) at fair value of £263.1m (2024: £277.2m). The table below outlines the impact of reasonably possible alternative assumptions of key inputs which rely on management judgement and are not market observable.

Impact on fair value of portfolio of changes to assumptions		Group and Society (£m)	
Assumption	Change to current assumption	Increase / (Decrease) in portfolio fair value	
		2025	2024
Redemption rates	+ / - 1% pa	**0.4 / (0.5)**	(0.4) / 0.5
Illiquidity premia	+ / - 0.2% pa	**(3.7) / 3.8**	(4.3) / 4.4
HPI forecast	+ / - 0.5% pa	**4.4 / (4.7)**	4.0 / (4.3)
Property volatility	+ / - 1% pa	**(2.4) / 2.4**	(2.6) / 2.6
RPI volatility	+ / - 0.5% pa	**(0.2) / 0.0**	(1.0) / 0.6

For each of the above sensitivities there would be a corresponding charge / credit to the Income Statement within the line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL', arising from the decrease / increase in the fair value of the portfolio.

1. Accounting policies (continued)

The sensitivities are calculated by comparing the fair value of the portfolio, as reported within the Statement of Financial Position, to the value of the portfolio at the reporting date when each input is adjusted as listed above, as per the valuation model. Each sensitivity shown considers one change in isolation and the combined impact on the valuation of the portfolio of all sensitivities occurring would not necessarily be the sum of the impact of the individual sensitivities.

Analysis has been undertaken to identify the impact of climate-related risks on the Group's equity release portfolio. This includes scenario analysis assessing the potential impact of alternative paths for the key inputs of the HPI forecast and yield curves. The results of these assessments did not lead to a change in carrying amounts as at 31 December 2025 or 31 December 2024. The future impact of climate-related risks on the Group's equity release portfolio is uncertain, and the Group will continue to monitor developments in future periods.

The Group holds derivative financial instruments to hedge the movements in the equity release portfolio, which offsets to some extent the movements in the valuation of the portfolio, further details of which are found below.

Derivative financial instruments held to hedge the equity release portfolio

The Group holds derivatives which are used to hedge the Group's interest rate risk and inflation risk arising from the equity release portfolio. These derivatives are valued using discounted cash flow models using market observable benchmark rates consistent with accepted market methodologies for pricing financial instruments. As the notional values of the derivatives are intended to match the balance of the underlying mortgage assets, they also include estimated redemption profiles (arising where a customer voluntarily prepays, moves permanently into long-term care or has died) that are based on historical data (reviewed periodically against actuals) and published mortality tables. These redemption profiles are not market observable; an element of management judgement is therefore applied based on historical performance of redemptions.

In order to value these derivatives, the Group uses market-implied RPI swap prices to construct a forward-looking inflation curve to forecast future expected cash flows relating to these derivatives. The model used to value the derivatives incorporates multiple scenarios for RPI in order to take account of the uncertainty and volatility of future RPI rates. The range of multiple scenarios used is based on management judgement and so is not market observable. The Group has robust control procedures in place regarding the inputs to the valuation that are based on management judgement.

The effect on the fair value of these derivatives of reasonably possible alternative assumptions is outlined below.

Impact on liability of changes to assumptions

Assumption	Notes	Change to current assumption	Group & Society (£m) (Decrease) / increase in liability 2025	2024
Redemption rates	A	+ / - 1% pa	**(0.0) / 0.0**	(0.6) / 0.6
RPI volatility	A	+ / - 0.5% pa	**(0.9) / 0.6**	(2.0) / 1.5

Note

A. There would be a corresponding charge / credit to the Income Statement within the line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL', arising from the decrease / increase in the fair value of the derivative liabilities.

Any change in fair value of the derivative liabilities is offset to some extent by a corresponding but opposite change in the value of the equity release portfolio. The characteristics and the valuation requirements differ slightly between the derivatives and the equity release portfolio resulting in the changes in fair value not offsetting completely.

1. Accounting policies (continued)

Goodwill

The carrying value of goodwill is assessed against value in use calculations. The key assumptions for the value in use calculations are those regarding cash flows, discount rates and growth rates. These assumptions are reviewed on a regular basis, at least at every reporting date, by senior management.

The forecasted cash flows of the cash generating units (CGUs) are based on the latest detailed five year corporate plans available and are sensitive to, inter alia, assumptions regarding the long-term growth pattern thereafter. The cash flows reflect management's view of future business prospects at the time of the assessment, which take into account management's most recent view of key economic indicators as well as wider prevailing circumstances. Further details regarding the key drivers of these cash flows, for each reportable segment to which goodwill has been allocated, are included in Note 25.

The discount rate used to discount the future expected cash flows is based on the cost of capital assigned to each reportable segment (see Note 25) and can have a significant effect on the underlying valuation. The cost of capital is derived from a weighted average cost of capital calculation which incorporates a number of inputs including the risk-free interest rate and a premium to reflect the inherent risk of the business being evaluated. These variables are subject to fluctuations in external markets and economic conditions which are not within management control; these inputs are therefore determined on the basis of management judgement.

Profit and cash flow forecasts are subject to inherent uncertainties, such as the impacts of physical and transition risks of climate change on the creditworthiness of borrowers, asset values, and other indirect effects including the erosion of the Group's competitiveness, profitability, or reputation.

Sensitivity disclosures are provided in Note 25.

Other intangible assets

Other intangible assets (see Note 25) such as computer software, databases, brands and customer contracts are regularly reviewed for indicators of impairment. Brands, which are regarded to have an indefinite life and are therefore not amortised, are tested for impairment at the end of each reporting period (or when there is an indication of impairment), using a similar methodology as described above for goodwill.

Brands are held by the Estate agency division (see Note 25) and are judged by management to have an indefinite life. Management considers that the brands held have long and successful histories and have shown their ability to adapt to changing market trends. Further, continued investment in the brands by Connells helps to protect their value.

Where brands exist, the impairment test compares the carrying amount of the cash generating unit (CGU) (which comprises the CGU's net assets, plus any brands relating to that CGU and any goodwill allocated to that CGU) against its recoverable amount. Recoverable amount is determined as the higher of its fair value less costs to sell and its value in use.

As described above, the key assumptions for the value in use calculations are those regarding cash flows, discount rates and growth rates. These assumptions are reviewed on a regular basis, at least at every reporting date, by senior management and further detail on the key drivers of the underlying cash flows is shown in Note 25.

Other intangible assets, which are regarded to have a finite life, are tested for impairment whenever there is an indication that the intangible asset may be impaired.

An impairment charge of £2.8m (Group) and £nil (Society) was recognised against other intangible assets for the year ended 31 December 2025 (year ended 31 December 2024: Group £0.7m; Society £nil).

1. Accounting policies (continued)

Loan to defined benefit pension scheme

The valuation of the loan to the defined benefit pension scheme is dependent upon the estimation of future cash flows, the amount and timing of which can vary according to a number of different factors. These factors include the timing of future cash flows expected from the maturities of illiquid assets held by the scheme; estimated prepayment amounts, determined by available proceeds upon asset maturity; a credit-adjusted discount rate, incorporating an illiquidity premium; and the Scheme's credit characteristics.

The following table outlines the impact of reasonably possible alternative assumptions of key inputs which rely on management judgement and are not market observable:

Impact on loan fair value of changes to assumptions			Group & Society (£m)	
			(Decrease) / increase in loan fair value	
Assumption	Notes	Change to current assumption	2025	2024
Discount rate	A	+ / - 1% pa	**(0.1) / 0.1**	N/A
Value of illiquid assets	A	+ / - 10% expected proceeds	**1.1 / (1.1)**	N/A

Note

A. There would be a corresponding charge / credit to the Income Statement within the line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL', arising from the decrease / increase in the fair value of the loan. The sensitivity is not applicable to the comparative year shown as the loan was originated during 2025.

Retirement benefit obligations

The defined benefit pension schemes expose the Group to actuarial risks such as investment risk, interest rate risk, inflation risk and longevity risk. In conjunction with its actuaries the Group makes key financial assumptions that are used in the actuarial valuation of the defined benefit pension obligation and, therefore, changes to these assumptions have an impact on the pension obligation shown within the Statement of Financial Position. These assumptions include inflation and discount rates, life expectancy, commutation allowances and the rate of salary growth; see Note 36 for further details on these assumptions.

A decrease in gilt / corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to scheme liabilities. This would impact the Statement of Financial Position adversely and may give rise to increased charges in future years' Income Statements. This effect would be partially offset by an increase in the value of the schemes' gilt and bond holdings and caps on inflationary increases also exist to protect the schemes against high levels of inflation.

Approximate sensitivities of the principal assumptions are set out in the table below which shows the increase or reduction in the scheme liabilities that would result. The methods used for calculating the sensitivities are the same as those used to determine the valuation of the defined benefit obligation as set out in Note 36. Each sensitivity shown considers one change in isolation.

Impact on liabilities of changes to assumptions		Group (£m)		Society (£m)	
		(Decrease) / increase in liabilities			
Assumption	Changes to assumption	2025	2024	2025	2024
Discount rate	+ / -0.25% pa	**(4.6) / 4.8**	(5.5) / 5.7	**(2.4) / 2.6**	(2.5) / 2.7
Rate of inflation	+ / -0.5% pa	**3.8 / (3.6)**	3.9 / (3.7)	**1.8 / (1.7)**	1.9 / (1.8)
Commutation allowance	+ / -10% pa	**0.0 / 0.1**	(0.1) / 0.1	**0.0 / 0.1**	-
Life expectancy	+ / -1 year	**4.6 / (4.5)**	6.0 / (6.2)	**2.5 / (2.4)**	2.4 / (2.4)

The rate of salary growth has no impact on the pension liabilities as the schemes are closed to future accrual of benefit.

2. Interest receivable and similar income

	Group		Society	
£m	2025	2024	2025	2024
On financial assets held at amortised cost:				
On loans fully secured on residential property	**1,399.3**	1,207.2	**1,291.7**	1,102.0
On other loans and advances:				
To subsidiary undertakings	**-**	-	**129.9**	122.6
Other	**25.2**	26.9	**6.1**	8.3
On other liquid assets	**85.4**	140.9	**84.6**	138.9
	1,509.9	1,375.0	**1,512.3**	1,371.8
On financial assets held at FVOCI:				
On debt securities	**182.2**	178.6	**176.4**	168.9
On financial instruments held at FVTPL:				
Net income on derivative financial instruments held to hedge assets in qualifying hedge accounting relationships	**243.6**	516.2	**243.6**	516.2
Interest receivable and similar income accounted for using the effective interest rate method	**1,935.7**	2,069.8	**1,932.3**	2,056.9
On financial instruments held at FVTPL:				
On loans and advances to customers	**0.1**	0.1	**0.1**	0.1
On equity release portfolio	**21.8**	19.4	**21.8**	19.4
On debt securities	**-**	-	**3.3**	4.1
On loan to defined benefit pension scheme	**0.8**	-	**0.8**	-
Net (expense) / income on derivative financial instruments held to hedge assets in non-qualifying hedge accounting relationships	**(1.5)**	13.0	**(1.5)**	3.0
Other interest and similar income	**21.2**	32.5	**24.5**	26.6
Total interest receivable and similar income	**1,956.9**	2,102.3	**1,956.8**	2,083.5

3. Interest payable and similar charges

	Group		Society	
£m	2025	2024	2025	2024 restated*
On financial liabilities held at amortised cost:				
On shares held by individuals	**1,067.0**	1,081.7	**1,067.0**	1,081.7
On shares held by others	**8.7**	8.7	**8.7**	8.7
On subscribed capital	**4.3**	4.5	**4.3**	4.5
On deposits and other borrowings:				
Subordinated liabilities	**27.8**	29.6	**27.8**	29.6
Subsidiary undertakings	**-**	-	**22.0**	24.4
Wholesale and other funding	**271.8**	322.9	**150.0**	196.2
Lease liabilities	**4.6**	3.1	**0.3**	0.3
	1,384.2	1,450.5	**1,280.1**	1,345.4
On financial instruments held at FVTPL:				
Net expense on derivative financial instruments held for hedging liabilities (note A)	**56.9**	163.4	**76.9**	185.0
Deemed loans from Group undertakings	**-**	-	**157.5**	145.9
Other	**0.9**	-	**0.1**	-
Total interest payable and similar charges	**1,442.0**	1,613.9	**1,514.6**	1,676.3

* The information shown above for the Society, for the year ended 31 December 2024, is restated to reflect the appropriate presentation of interest associated with intra-group swaps in the Society – see Note 1c) for details. There is no impact to 'Total interest payable and similar charges' for the year ended 31 December 2024.

Note

A. Net expense on derivative financial instruments held for hedging liabilities includes £23.3m (2024: £46.7m) for the Society in relation to interest associated with intra-group swaps.

4. Fees and commissions receivable

The tables below provide further information regarding the nature, amount and timing of fees and commissions receivable. IFRS 15 requires that revenue is recognised by the Group in a way that depicts the transfer of goods or services to customers; some revenue is therefore recognised at a point in time and some revenue is recognised over a period of time. Further details as to the revenue recognition policies applied to fees and commissions receivable by the Group are set out in Note 1n).

	2025			2024		
Group £m	Products and services transferred at a point in time	Products and services transferred over time	Total	Products and services transferred at a point in time	Products and services transferred over time	Total
Mortgage origination fees	108.2	-	**108.2**	97.8	0.4	98.2
Other mortgage related fees	2.7	-	**2.7**	2.1	-	2.1
General insurance income	80.4	0.5	**80.9**	77.5	1.0	78.5
Commissions earned on property sales	350.1	-	**350.1**	320.4	-	320.4
Commissions earned on property lettings	148.9	110.6	**259.5**	146.3	101.3	247.6
Commercial property services fees	54.6	59.4	**114.0**	44.3	47.5	91.8
Survey and valuation fees	119.2	-	**119.2**	112.0	-	112.0
Asset management commission	27.2	0.2	**27.4**	20.8	0.2	21.0
Conveyancing fees	73.5	-	**73.5**	64.6	-	64.6
Financial advice fees	35.6	-	**35.6**	33.9	-	33.9
Software and consultancy fees	-	16.9	**16.9**	-	16.8	16.8
Factoring and invoice discounting services	16.9	-	**16.9**	15.5	-	15.5
Other fees and commissions	9.7	0.4	**10.1**	12.6	0.5	13.1
Total fees and commissions receivable	**1,027.0**	**188.0**	**1,215.0**	947.8	167.7	1,115.5

	2025			2024		
Society £m	Products and services transferred at a point in time	Products and services transferred over time	Total	Products and services transferred at a point in Time	Products and services transferred over time	Total
Other mortgage related fees	2.5	-	**2.5**	1.9	-	1.9
General insurance income	-	0.5	**0.5**	-	1.0	1.0
Financial advice fees	34.9	-	**34.9**	33.0	-	33.0
Other fees and commissions	-	-	**-**	0.1	-	0.1
Total fees and commissions receivable	**37.4**	**0.5**	**37.9**	35.0	1.0	36.0

4. Fees and commissions receivable (continued)

The table below provides a reconciliation of fees and commissions receivable by the Group to the amounts presented by reportable segment in Note 47.

	2025				
Group (£m)	Society	SIL	Connells	Other^	Total
Mortgage origination fees	-	-	110.5	(2.3)	**108.2**
Other mortgage related fees	2.5	0.2	-	-	**2.7**
General insurance income	0.5	-	80.4	-	**80.9**
Commissions earned on property sales	-	-	350.1	-	**350.1**
Commissions earned on property lettings	-	-	259.5	-	**259.5**
Commercial property services fees	-	-	114.0	-	**114.0**
Survey and valuation fees	-	-	128.7	(9.5)	**119.2**
Asset management commission	-	-	27.4	-	**27.4**
Conveyancing fees	-	-	74.4	(0.9)	**73.5**
Financial advice fees	34.9	-	-	0.7	**35.6**
Software and consultancy fees	-	-	-	16.9	**16.9**
Factoring and invoice discounting services	-	-	-	16.9	**16.9**
Other fees and commissions	-	0.1	10.0	-	**10.1**
Fees and commissions receivable	**37.9**	**0.3**	**1,155.0**	**21.8**	**1,215.0**
Fees and commissions payable and other operating income	8.3	-	0.1	(10.8)	**(2.4)**
Net non-interest income	**46.2**	**0.3**	**1,155.1**	**11.0**	**1,212.6**

	2024				
Group (£m)	Society	SIL	Connells	Other^	Total
Mortgage origination fees	-	-	100.6	(2.4)	98.2
Other mortgage related fees	1.9	0.3	-	(0.1)	2.1
General insurance income	1.0	-	77.5	-	78.5
Commissions earned on property sales	-	-	320.4	-	320.4
Commissions earned on property lettings	-	-	247.6	-	247.6
Commercial property services fees	-	-	91.1	0.7	91.8
Survey and valuation fees	-	-	119.4	(7.4)	112.0
Asset management commission	-	-	21.0	-	21.0
Conveyancing fees	-	-	65.6	(1.0)	64.6
Financial advice fees	33.0	-	-	0.9	33.9
Software and consultancy fees	-	-	-	16.8	16.8
Factoring and invoice discounting services	-	-	-	15.5	15.5
Other fees and commissions	0.1	-	13.0	-	13.1
Fees and commissions receivable	36.0	0.3	1,056.2	23.0	1,115.5
Fees and commissions payable and other operating income	7.9	-	(0.8)	(9.4)	(2.3)
Net non-interest income	43.9	0.3	1,055.4	13.6	1,113.2

^ As described in Note 47, the 'Other' category comprises segments that are not separately reportable, together with the impact of Group consolidation adjustments. The Other category therefore includes amounts relating to all Group entities except for the Society, SIL and Connells. Amounts relating to Group consolidation adjustments includes intra-group adjustments in relation to intercompany trading.

5. Fair value (losses) / gains on financial instruments mandatorily held at FVTPL

	Group		Society	
£m	2025	2024	2025	2024
Equity release portfolio (Note 18)	**(14.5)**	(12.6)	**(14.5)**	(12.6)
Derivatives associated with equity release portfolio (Note 18)	**8.1**	21.9	**8.1**	21.9
Equity share investments (Note 20e))	**0.4**	1.1	**-**	-
Share warrants	**5.6**	5.9	**-**	-
Put options held by minority shareholders	**(0.2)**	(0.3)	**-**	-
Hedging instruments and hedged items	**0.9**	2.0	**7.0**	6.9
Loan to defined benefit pension scheme (Note 35)	**(2.2)**	-	**(2.2)**	-
Other financial instruments	**-**	-	**3.3**	(4.0)
Total	**(1.9)**	18.0	**1.7**	12.2

6. Other operating income

	Group		Society	
£m	2025	2024	2025	2024
Realised profits / (losses) on treasury assets held at FVOCI	**0.3**	(1.8)	**0.3**	(1.8)
Share of profits from joint ventures	**2.0**	1.4	**-**	-
Profit on disposal of subsidiary undertakings	**10.8**	-	**-**	-
Research and Development Expenditure Credit (RDEC)	**1.8**	-	**1.5**	-
Other	**2.0**	3.6	**10.5**	11.2
Total other operating income	**16.9**	3.2	**12.3**	9.4

7. Administrative expenses

£m	Group 2025	Group 2024	Society 2025	Society 2024
Employee costs:				
Wages and salaries	**819.9**	746.8	**127.9**	112.7
Social security costs	**99.4**	79.5	**15.6**	11.9
Pension costs:				
Defined contribution arrangements (Note 36)	**32.8**	28.6	**9.3**	8.2
	952.1	854.9	**152.8**	132.8
Other administrative expenses	**471.3**	457.4	**114.4**	134.2
Central administrative costs recharged to Group undertakings	**-**	-	**(4.8)**	(5.0)
Total administrative expenses	**1,423.4**	1,312.3	**262.4**	262.0
Other administrative expenses comprise:				
Depreciation and amortisation (Notes 22, 23, 24 and 25)	**68.2**	70.0	**8.7**	8.5
Impairment losses on property, plant and equipment, right-of-use assets, investment property and intangible assets (Notes 22, 23, 24 and 25)	**5.6**	3.1	**(0.1)**	-
Impairment losses on trade receivables (Note 45c))	**1.4**	0.8	**0.1**	-
Lease expense – items exempt from IFRS 16:				
Short-term leases	**1.9**	0.7	**0.7**	0.6
Other property and establishment costs	**49.4**	48.0	**7.3**	7.5
Postage and communications	**8.3**	6.9	**8.0**	6.6
IT costs	**82.8**	77.5	**27.5**	30.0
Marketing and advertising	**75.6**	69.6	**17.4**	15.6
Insurance	**10.5**	10.1	**3.5**	3.6
Legal, professional and consultancy	**63.2**	77.0	**35.7**	55.7
Training, recruitment and other employee related costs	**61.9**	59.7	**5.3**	5.4
Costs of Connells' management incentive scheme (Note 32)	**-**	(4.2)	**-**	-
Other	**42.5**	38.2	**0.3**	0.7
Total other administrative expenses	**471.3**	457.4	**114.4**	134.2

Included within legal, professional and consultancy costs above are amounts relating to external auditor remuneration. The remuneration of the Group's external auditor, EY, is set out below (excluding VAT).

External auditor remuneration £m	Group 2025	Group 2024	Society 2025	Society 2024
Audit of the Society and Group Annual Accounts	**1.2**	1.2	**1.2**	1.2
Audit of the Group's subsidiary undertakings' accounts pursuant to legislation	**2.6**	2.5	**-**	-
Audit-related assurance services	**0.2**	0.1	**0.2**	0.1
Other non-audit services	**-**	0.1	**-**	0.1
Total external auditor remuneration	**4.0**	3.9	**1.4**	1.4

8. Impairment and provisions

	Group		Society	
£m	2025	2024	2025	2024
Impairment (losses) / credits on loans and advances to customers (Note 17)	**(10.1)**	17.1	**(9.8)**	17.0
Impairment credits on liquid assets	**0.1**	0.1	**0.1**	0.1
Realised losses on equity release portfolio (Note 18)	**(1.3)**	(1.8)	**(1.3)**	(1.8)
Provisions for liabilities (Note 33)	**(0.9)**	(3.7)	**0.2**	(4.9)
Total	**(12.2)**	11.7	**(10.8)**	10.4

9. Employee numbers

The average number of full and part-time persons employed during the year (including Executive Directors) was as follows:

	Group		Society	
	2025	2024	2025	2024
Society principal office	**2,123**	2,001	**2,123**	2,001
Society branches	**452**	423	**452**	423
Subsidiary undertakings	**16,279**	15,592	**-**	-
Total employee numbers	**18,854**	18,016	**2,575**	2,424

10. Directors' emoluments

Directors' emoluments are set out within the Directors' Remuneration Report.

Total Directors' emoluments for 2025 amounted to £3.1m (2024: £3.9m).

11. Related party transactions

A number of transactions are entered into with related parties in the normal course of business; these are detailed below.

Key management personnel

For the purposes of these disclosures, key management personnel comprises the Executive Directors and Non-Executive Directors of the Society, plus all other members of the Society's Executive Committee. Executive Committee members are, in addition to the Executive and Non-Executive Directors, responsible for ensuring the Society meets its strategic and operational objectives.

The table below summarises the benefits awarded to key management personnel in the year:

	Group & Society	
£m	2025	2024
Salary, benefits and annual performance pay	**6.1**	7.1
Employer pension contributions	**0.6**	0.3
	6.7	7.4

The table below sets out the outstanding balances in relation to related party transactions with key management personnel and persons who are connected with key management personnel:

	Group & Society	
£'000	2025	2024
Mortgage loans outstanding at 31 December	**1,603**	643
Savings balances at 31 December	**1,219**	1,327

Interest receivable and payable in relation to related party accounts during the year was as follows:

	Group & Society	
£'000	2025	2024
Interest receivable	**18**	29
Interest payable	**41**	37

Loans and savings of key management personnel are at normal commercial rates. There are no provisions for impairment against these loans.

Key management personnel loans and transactions

At 31 December 2025 there were two (2024: three) outstanding mortgage loans granted in the ordinary course of business amounting in aggregate to £1,603,367 (2024: £643,129) to two (2024: three) key management personnel or persons who are connected with key management personnel. These mortgages are provided on the same terms and conditions applicable to other employees within the Society and SBF. No amounts have been waived or written off.

A register is maintained at the Principal Office of the Society which shows details of all loans, transactions and arrangements with Directors and connected persons. A statement for the current financial year of the appropriate details contained in the register will be available for inspection at the Principal Office for a period of 15 days up to and including the Annual General Meeting.

Contributions to pension schemes

During the year, the Group and Society paid contributions of £47.2m (2024: £54.6m) and £20.0m (2024: £31.2m) respectively to pension schemes.

Loan to pension scheme

The Skipton Building Society (2015) Group Pension Scheme was subject to an insurer buy-in during the year, whereby the majority of the assets in the Scheme were used to purchase an insurance policy. The policy insures the Trustee's obligation to provide certain benefits to members under the Scheme. In connection with the buy-in, the Society made a loan to the Scheme – originally advanced in January 2025 in Sterling but subsequently converted into a USD-denominated loan in September 2025. See Note 35 and Note 36 for further details.

11. Related party transactions (continued)

The loan's fair value as at 31 December 2025 is calculated at £10.9m, compared to a principal and interest balance of £13.1m, resulting in a fair value adjustment charge of £2.2m being recognised – included in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL', for both the Group and Society.

Loan to Jade

In November 2025 the Society provided a loan of NZ$25.0m to Jade in order the fund the acquisition of Contec Group International Ltd. As at 31 December 2025, the sterling equivalent outstanding amount due from Jade to the Society in respect of this loan was £10.7m. For 2025, the interest receivable by the Society in respect of this loan was £0.1m; included within 'Interest receivable' presented in the table below.

The loan is held at amortised cost, and on consolidation at a Group level, the balance is eliminated in the consolidated Statement of Financial Position. The loan is hedged by way of a cross-currency swap in order to eliminate foreign exchange risk. The swap (hedging instrument) is external to the Group, but the loan (hedged item; eliminated on consolidation) is not. See Note 20a) for further details.

Other related party transactions

During the year the Society had the following related party transactions with subsidiary undertakings:

	Society	
£m	2025	2024
Rendering and receiving of services	**0.1**	0.1
Recharges of central costs	**4.8**	5.0
Interest receivable (note A)	**130.7**	122.6
Interest payable	**(202.8)**	(217.0)
Mortgage referral, valuation and legal fees (note B)	**(10.5)**	(10.2)
Other operating income	**9.6**	8.2
Collateral transferred to funding vehicles	**2,194.4**	1,147.2
Collateral transferred from funding vehicles	**(54.3)**	(67.0)
Repayment of debt securities	**(37.3)**	(119.4)

Notes

A. Included within the Interest receivable line in the table above is an amount of £0.8m for the year ended 31 December 2025 (2024: £nil) in relation to the loan to defined benefit pension scheme (outlined on page 187).

B. These are fees payable by the Society to Connells for the above services, which are amortised through net interest receivable in the Society's books on an effective interest basis.

All the above transactions were entered into on an arm's-length basis. For details of the relationships between the Society and its principal subsidiary undertakings see Note 20a).

In 2021, Connells Limited acquired the entire share capital of Countrywide plc. In order to fund the transaction, enable Connells to repay existing borrowings in Countrywide and provide working capital, the Society agreed to provide a loan of £253.0m to Connells Limited on completion of the acquisition. As at 31 December 2025, the outstanding amount due from Connells to the Society in respect of this loan was £114.3m (2024: £118.9m). For 2025 the interest receivable by the Society in respect of this loan was £8.4m (2024: £9.6m); included within interest receivable presented in the table above.

At 31 December 2025 the Society owed £1,304.1m (2024: £1,413.7m) to subsidiary undertakings and was owed £454.7m (2024: £403.9m) by subsidiary undertakings. The total amount owed by subsidiary undertakings as at 31 December 2025 includes the £114.3m (2024: £118.9m) outstanding in respect of the loan to Connells Limited, as described above. Interest on intra-Group borrowings is charged at an appropriate market rate. As at 31 December 2025 the Society recognised no impairment loss allowance in respect of loans to subsidiary undertakings, on the grounds of immateriality (2024: £nil).

11. Related party transactions (continued)

As disclosed in Note 20a), the Society has for the year ended 31 December 2025 provided guarantees over the liabilities of Jade Software Corporation UK Limited, North Yorkshire Mortgages Limited, Skipton Group Holdings Limited, Skipton Investments Limited and Skipton Trustees Limited. As at 31 December 2025 the financial statements of these subsidiary undertakings include aggregate liabilities of £64.8m (2024: £41.6m), of which £57.7m (2024: £37.0m) is intra-group liabilities.

At 31 December 2025 the Group was owed £nil (2024: £nil) by joint ventures and owed £nil (2024: £nil) to joint ventures. At 31 December 2025 the Group was owed £nil (2024: £0.1m) by entities in which the Group holds equity share investments.

There were no provisions in respect of sales of goods and services or in respect of outstanding loans between the Group or Society and its related parties as at 31 December 2025 or 31 December 2024.

12. Tax expense

	Group		Society	
£m	2025	2024	2025	2024
Current tax:				
Corporation tax on profits in the period	**65.2**	66.5	**49.3**	51.9
Adjustments in respect of previous periods	**(1.5)**	2.2	**0.2**	1.3
Pillar Two top-up taxes	**0.7**	1.5	**-**	1.5
	64.4	70.2	**49.5**	54.7
Deferred tax (Note 34):				
Current year charge / (credit)	**0.5**	9.6	**(0.3)**	3.9
Adjustments in respect of previous periods	**1.3**	(1.7)	**0.3**	(1.9)
	1.8	7.9	**-**	2.0
Total tax expense	**66.2**	78.1	**49.5**	56.7

A reconciliation of the tax expense on profit before tax at the standard rate of corporation tax in the UK to the actual tax expense is as follows.

Reconciliation of tax expense	Group		Society	
£m	2025	2024	2025	2024
Profit before tax	**275.2**	318.6	**272.1**	245.9
Share of profits from joint ventures, net of tax	**(2.0)**	(1.4)	**-**	-
	273.2	317.2	**272.1**	245.9
Tax calculated at the standard rate of corporation tax in the UK of 25.0% (2024: 25.0%)	**68.3**	79.3	**68.0**	61.5
Effects of:				
Expenses not deductible for tax purposes	**2.3**	0.7	**1.0**	0.5
Adjustment to tax expense in respect of prior periods	**(0.2)**	0.5	**0.5**	(0.6)
Non-taxable dividend income	**-**	-	**(20.7)**	(9.0)
Other non-taxable income	**(3.5)**	(1.8)	**(0.4)**	(0.2)
Lower tax rates in other jurisdictions	**(1.7)**	(4.4)	**-**	-
Banking surcharge	**2.3**	3.3	**2.6**	3.3
Recognition of previously unrecognised tax losses	**-**	(0.9)	**-**	-
Pillar Two top-up taxes	**0.7**	1.5	**-**	1.5
Removal of deferred tax resulting from assets reclassified to 'Assets held for sale'	**(1.8)**	-	**(1.8)**	-
Other	**(0.2)**	(0.1)	**0.3**	(0.3)
Total tax expense	**66.2**	78.1	**49.5**	56.7

12. Tax expense (continued)

The effective tax rate for the Group for the year ended 31 December 2025 is 24.2% (2024: 24.6%) compared with the standard rate of UK corporation tax of 25.0% (2024: 25.0%). The Group's effective rate is lower than the standard rate due to the impacts of non-taxable income and the lower tax rates in Guernsey and Jersey which apply to the taxable profits of SIL. This is offset by the impact of the banking surcharge (see below), additional tax due in respect of Pillar Two top-up taxes and expenditure disallowable for tax purposes.

The effective tax rate for the Society for the year ended 31 December 2025 is 18.2% (2024: 23.1%). The Society's taxable profits above £100m are subject to a 3% banking surcharge. The effective rate of tax is also impacted by non-taxable dividend income of £82.8m (2024: £36.0m) and, for 2024, additional tax due in respect of Pillar Two top-up taxes.

OECD Pillar Two Model Rules

The Skipton Group is within the scope of the OECD Pillar Two model rules which came into effect in the UK and Australia from 1 January 2024. The rules came into effect in Guernsey, Jersey and New Zealand from 1 January 2025. The rules are aimed at ensuring that large multinational groups are subject to a minimum effective tax rate of 15% in each jurisdiction within which they operate. The Group has applied the mandatory temporary exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 *Income Taxes* issued in May 2023.

The charge estimated by the Group in respect of Pillar Two for the year ended 31 December 2025 is £0.7m (31 December 2024: £1.5m) and this is included in the current tax expense. The estimated charge for both years relates to top-up taxes in respect of profits of SIL. In 2025 the charge is expected to be incurred by SIL in Guernsey and Jersey following the adoption of the Pillar Two rules in Guernsey and Jersey from 1 January 2025. The 2024 charge is expected to be incurred by the Society in the UK, due to the UK's earlier implementation of the rules. The charge for each of 2024 and 2025 does not include any element of deferred tax as the Group has applied the temporary exception issued by the IASB in May 2023. Both amounts continue to be estimates as the Group is currently engaged with external tax specialists to implement a detailed application of the rules and guidance. The date by which the Group is required to report and pay Pillar Two top-up taxes in the UK is 30 June 2026. A final detailed calculation will be in place by this date.

13. Loans and advances to credit institutions

	Group		Society	
£m	2025	2024	2025	2024
Gross carrying amount	**353.4**	414.7	**304.8**	397.9
Loss allowance	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Net carrying amount	**353.3**	414.6	**304.7**	397.8

As outlined in Note 1f), loans and advances to credit institutions are held at amortised cost. All amounts shown in the table above were held in stage 1 for both the Group and Society at the end of the current and prior year.

No amounts were written off during the current or prior year in either the Group or the Society. For further details on the assessment of ECLs on liquid assets, see Note 1h).

The table below provides maturity information for the net carrying amounts.

	Group		Society	
£m	2025	2024	2025	2024
Repayable on demand:				
Cash and cash equivalents	**88.8**	121.5	**31.2**	54.0
	88.8	121.5	**31.2**	54.0
In not more than three months:				
Cash and cash equivalents	**-**	1.6	**-**	-
	-	1.6	**-**	-
In more than three months but not more than one year:				
Other loans and advances to credit institutions	**-**	1.0	**-**	1.0
	-	1.0	**-**	1.0
No specified maturity:				
Cash pledged as collateral	**264.5**	290.5	**273.5**	342.8
	264.5	290.5	**273.5**	342.8
Total loans and advances to credit institutions	**353.3**	414.6	**304.7**	397.8
Total included within cash and cash equivalents	**88.8**	123.1	**31.2**	54.0

Collateral

Cash is pledged and received as collateral against derivative contracts which are used by the Group to manage its exposure to market risk. Collateral is pledged to derivative contract counterparties where there is a net amount outstanding to the counterparty and collateral is received from derivative contract counterparties where there is a net amount due to the Group.

Non-standardised and some legacy derivatives are collateralised based on bilateral Credit Support Annex (CSA) agreements. Under the terms of a CSA, collateral is passed between parties to mitigate the credit risk of counterparties which is inherent in the outstanding derivative contracts. Standardised derivatives are cleared with a central clearing counterparty in accordance with the UK European Market Infrastructure Regulation (UK EMIR). Under the arrangements for cleared derivatives, additional collateral is required to protect the central clearing counterparty against credit risk of the counterparties and to cover intra-day market movements and possible variations in the future valuations of the derivative contracts. At 31 December 2025 the Group and Society pledged £254.6m (2024: £272.4m) of this additional collateral.

Collateral pledged and received is ring-fenced by all parties to the derivative contract for the sole purpose of collateralisation of the contracts. All derivatives are marked to market on a daily basis, with collateral being either returned or pledged based on the market valuation of the derivatives.

The Group's derivative contracts have an outstanding contractual period of up to 32 years (2024: 33 years).

13. Loans and advances to credit institutions (continued)

In addition, cash collateral can be pledged or received as repurchase agreement contracts. Repurchase agreements are funding arrangements which allow a party to sell a financial asset as security to raise funds and the borrower agrees to repurchase the financial asset at a later agreed date. Where there is a movement in valuation of the underlying financial asset used as security, the borrower is required to pledge cash (known as 'variation margin') to make up the shortfall in the value of the security. This valuation margin protects the counterparty against the risk that the security changes in value over time. Cash pledged in this way is ring-fenced for the sole purpose of collateralisation and is separate to the funds raised as part of the underlying repurchase agreement. At 31 December 2025 the Group has no cash (2024: £nil) pledged as collateral in repurchase arrangements.

14. Debt securities

The majority of debt securities held are highly liquid assets which are used on a continuing basis in the Group's activities.

Group £m	2025 FVOCI and Total	2024 FVOCI and Total
Gilts	**500.5**	1,086.5
Fixed rate bonds	**1,552.0**	1,274.9
Floating rate notes	**11.0**	-
Treasury bills	**773.4**	598.2
Covered bonds	**813.5**	770.1
Residential mortgage backed securities	**619.0**	619.9
	4,269.4	4,349.6
Debt securities have remaining maturities as follows:		
In not more than three months	**809.4**	492.9
In more than three months but not more than one year	**253.6**	826.3
In more than one year but not more than five years	**2,536.5**	2,222.1
In more than five years	**669.9**	808.3
	4,269.4	4,349.6
Transferable debt securities comprise:		
Listed on a recognised investment exchange	**4,269.4**	4,349.6
	4,269.4	4,349.6

Society £m	2025			2024		
	FVOCI	FVTPL	Total	FVOCI	FVTPL	Total
Gilts	500.5	-	**500.5**	1,086.5	-	1,086.5
Fixed rate bonds	1,552.0	-	**1,552.0**	1,274.9	-	1,274.9
Treasury bills	557.0	-	**557.0**	321.2	-	321.2
Covered bonds	813.5	-	**813.5**	770.1	-	770.1
Residential mortgage backed securities	778.9	73.5	**852.4**	817.1	70.3	887.4
	4,201.9	**73.5**	**4,275.4**	4,269.8	70.3	4,340.1
Debt securities have remaining maturities as follows:						
In not more than three months	593.1	-	**593.1**	273.9	-	273.9
In more than three months but not more than one year	253.6	-	**253.6**	768.5	-	768.5
In more than one year but not more than five years	2,685.3	73.5	**2,758.8**	2,419.1	70.3	2,489.4
In more than five years	669.9	-	**669.9**	808.3	-	808.3
	4,201.9	**73.5**	**4,275.4**	4,269.8	70.3	4,340.1
Transferable debt securities comprise:						
Listed on a recognised investment exchange	4,201.9	73.5	**4,275.4**	4,269.8	70.3	4,340.1
	4,201.9	**73.5**	**4,275.4**	4,269.8	70.3	4,340.1

14. Debt securities (continued)

The tables below provide further detail on the movement in debt securities during the year.

Group £m	2025 FVOCI and Total	2024 FVOCI and Total
At 1 January	**4,349.6**	3,337.7
Additions	**2,274.6**	4,402.0
Maturities and disposals	**(2,416.3)**	(3,376.3)
Changes in fair value	**49.2**	(28.5)
Other	**12.3**	14.7
At 31 December	**4,269.4**	4,349.6

Society £m	2025			2024		
	FVOCI	FVTPL	Total	FVOCI	FVTPL	Total
At 1 January	4,269.8	70.3	**4,340.1**	3,143.4	63.1	3,206.5
Additions	1,410.3	-	**1,410.1**	3,908.8	77.8	3,986.6
Maturities and disposals	(1,537.4)	-	**(1,537.4)**	(2,765.3)	(66.6)	(2,831.9)
Changes in fair value	49.2	3.2	**52.4**	(28.7)	(4.0)	(32.7)
Other	10.0	-	**10.0**	11.6	-	11.6
At 31 December	**4,201.9**	**73.5**	**4,275.4**	4,269.8	70.3	4,340.1

The tables below provide further detail on the movement in the impairment loss allowance held in respect of debt securities during the year. There were no amounts written off by the Group or Society during the current or prior year.

Movement in impairment loss allowance	Group		Society	
£m	2025	2024	2025	2024
Loss allowance at 1 January	**0.2**	0.2	**0.3**	0.3
Increases due to origination, acquisition and additions	**0.1**	0.2	**0.1**	0.2
Decrease due to derecognition, repayments and disposals	**(0.1)**	(0.2)	**(0.1)**	(0.2)
Loss allowance at 31 December	**0.2**	0.2	**0.3**	0.3

All balances for the Group and Society included in the table above are classified as FVOCI and held in stage 1 in both the current and prior year.

Collateral

At 31 December 2025, £166.8m (2024: £2.1m) of debt securities have been pledged by the Group, and £352.9m (2024: £203.2m) have been pledged by the Society, as collateral in repurchase transactions. These transactions are used to either obtain liquidity or to test the liquidity of the assets pledged as collateral. Where debt securities are pledged as collateral in repurchase transactions, the debt securities are not derecognised from the balance sheet and the transaction is accounted for as a secured loan.

Further detail on debt securities that have been pledged as collateral is found in the table below.

Securities pledged as collateral	Group		Society	
£m	2025	2024	2025	2024
Gilts	**8.0**	-	**8.0**	201.1
Fixed rate bonds	**7.9**	2.1	**21.0**	2.1
Treasury bills	**150.9**	-	**323.9**	-
Total on-balance sheet debt securities pledged as collateral	**166.8**	2.1	**352.9**	203.2

The collateral is pledged for the duration of the repurchase agreement, and is returned on maturity of the agreement, subject to the repayment of the amount raised. The securities cannot be pledged again by the Group until maturity of the repurchase agreement, however the recipient of the collateral is free to sell or further repurchase the assets. As at 31 December 2025, the Group's repurchase agreements have a contractual period of up to three months (2024: three months).

14. Debt securities (continued)

There were no debt securities held by the Group or the Society at the end of 2025 or 2024 that were pledged as collateral by counterparties (known as 'reverse repurchase agreements').

Residential mortgage backed securities

The Group's investments in residential mortgage backed securities represent investments in unconsolidated structured entities, as described in Note 1d).

The maximum exposure to losses from unconsolidated structured entities is equivalent to the book value plus accrued interest, determined by the carrying value of these investments plus any unrealised losses / less any unrealised gains recognised within the fair value reserve as shown below.

	Group & Society	
£m	2025	2024
Carrying value of assets	**619.0**	619.9
Cumulative unrealised gains recognised in fair value reserve	**(0.9)**	(0.3)
Maximum exposure to loss at 31 December	**618.1**	619.6

During the year, the Group and Society received interest income of £29.9m (2024: £30.3m) from its investments in unconsolidated structured entities and incurred impairment charges of £nil (2024: £nil). In addition, unrealised gains recognised through the fair value reserve were £0.6m (2024: £1.1m loss).

No collateral has been received by the Group in respect of the above third party funding entities. The total size of unconsolidated structured entities as shown in the table above is determined by reference to the Group's total notional exposure to the unconsolidated structured entities in question.

The Group did not provide any non-contractual support, nor any contractual guarantees, during the current or prior year to unconsolidated structured entities and currently has no intentions to provide any such support. The Group is not required to absorb losses of any unconsolidated structured entities before other parties and the Group did not act as a sponsor to any unconsolidated structured entities during the current or prior year. The Group would, in general, be regarded as a sponsor of an unconsolidated structured entity if market participants would reasonably associate the entity with the Group.

At 31 December 2025 the Society also held £159.9m (2024: £197.2m) of residential mortgage backed securities held at FVOCI and £73.5m (2024: £70.3m) of residential mortgage backed securities held at FVTPL that were issued by the Group's securitisation vehicle Darrowby No. 6 plc.

15. Loans and advances to customers held at amortised cost

	Group		Society	
£m	2025	2024	2025	2024
Loans fully secured on residential property	**32,985.9**	30,529.3	**30,970.3**	28,497.0
Loans fully secured on land	**89.6**	109.6	**89.6**	109.6
Other lending:				
Debt factoring advances	**199.2**	188.6	**-**	-
Other loans	**45.3**	48.2	**0.5**	-
Fair value adjustment for hedged risk	**58.9**	(274.6)	**60.9**	(271.7)
	33,378.9	30,601.1	**31,121.3**	28,334.9
The remaining maturity of loans and advances to customers from the reporting date is as follows:				
On call and at short notice	**196.8**	188.5	**3.0**	3.2
In not more than three months	**27.1**	28.9	**26.8**	28.9
In more than three months but not more than one year	**77.5**	55.5	**75.6**	53.8
In more than one year but not more than five years	**995.3**	943.4	**988.7**	906.2
In more than five years	**32,107.8**	29,404.4	**30,050.7**	27,360.3
	33,404.5	30,620.7	**31,144.8**	28,352.4
Less: Impairment (Note 17)	**(25.6)**	(19.6)	**(23.5)**	(17.5)
	33,378.9	30,601.1	**31,121.3**	28,334.9

Included in loans fully secured on residential property is a £23.9m adjustment for Group (2024: £16.5m) and a £41.9m adjustment for Society (2024: £33.2m) due to applying the effective interest method of accounting for these mortgages (see Note 1f) for further details).

16. Transfers of financial assets

As outlined in Note 1d) the Society has transferred the beneficial interest in certain portfolios of loans and advances to customers to the Group's special purpose vehicles (SPVs) Darrowby No. 6 plc and Skipton Covered Bonds LLP, to enable the subsequent raising of debt to investors who gain the security of the underlying mortgage loans as collateral.

The transfers of the beneficial interest in the mortgage loans to the SPVs are not treated as sales by the Society and are not derecognised. The Society continues to recognise these assets within its own Statement of Financial Position because it substantially retains the risks and rewards of these mortgage portfolios. The Society continues to operationally manage these mortgage loans in the same manner as the remainder of its mortgage portfolio and is exposed to the rewards of these assets, primarily through the receipt of interest income, and is exposed to the risks of these assets, which is primarily exposure to the credit risk associated with these mortgage loans.

The underlying mortgage loans are ring-fenced and cannot be used for any purpose by the Society or the SPV other than as security for the debt raised.

At 31 December 2025, loans and advances to customers held at amortised cost include £5,153.8m (2024: £3,980.3m) of balances for both the Group and Society which have been used in these secured funding arrangements, resulting in the beneficial interest in these loans being transferred to Darrowby No. 6 plc (£627.1m; 2024: £760.7m) and Skipton Covered Bonds LLP (£4,526.7m; 2024: £3,219.6m). These loans secure £3,339.6m (2024: £2,426.5m) of funding for the Group.

The proceeds received from the transfer of mortgage loans are accounted for in the Society's books as a deemed loan repayable to the SPVs. At 31 December 2025 the balance on the deemed loan repayable to Darrowby No. 6 plc, which represents the proceeds received for the transferred financial assets, included by the Society within 'Amounts owed to other customers', was £627.1m (2024: £760.7m).

At 31 December 2025 the deemed loan repayable to Skipton Covered Bonds LLP, which represents the proceeds received for the transferred financial assets, was included by the Society within 'Loans to subsidiary undertakings' and netted against the term advance between the Society and the LLP. The balance on the deemed loan at 31 December 2025 was £2,812.1m (2024: £1,816.1m).

The Group's accounting policies for the derecognition of financial assets held at amortised cost are set out in Note 1i). During the year, no gains or losses arose in respect of loans and advances to customers held at amortised cost that were derecognised by the Group or Society.

17. Impairment losses on loans and advances to customers

2025	Group			
£m	Loans fully secured on residential Property	Loans fully secured on land	Other loans and advances	Total
Loss allowance at 1 January 2025	13.5	4.7	1.4	**19.6**
Amounts written off during the year, net of recoveries	(1.5)	(2.4)	(0.2)	**(4.1)**
Income statement charge for the year	9.6	0.3	0.2	**10.1**
Loss allowance at 31 December 2025	**21.6**	**2.6**	**1.4**	**25.6**

2024	Group			
£m	Loans fully secured on residential Property	Loans fully secured on land	Other loans and advances	Total
Loss allowance at 1 January 2024	29.0	9.0	1.6	39.6
Amounts written off during the year, net of recoveries	(1.0)	(1.4)	(0.5)	(2.9)
Income statement (credit) / charge for the year	(14.5)	(2.9)	0.3	(17.1)
Loss allowance at 31 December 2024	13.5	4.7	1.4	19.6

2025	Society		
£m	Loans fully secured on residential Property	Loans fully secured on land	Total
Loss allowance at 1 January 2025	12.8	4.7	**17.5**
Amounts written off during the year, net of recoveries	(1.4)	(2.4)	**(3.8)**
Income statement charge for the year	9.5	0.3	**9.8**
Loss allowance at 31 December 2025	**20.9**	**2.6**	**23.5**

2024	Society		
£m	Loans fully secured on residential Property	Loans fully secured on Land	Total
Loss allowance at 1 January 2024	27.9	9.0	36.9
Amounts written off during the year, net of recoveries	(1.0)	(1.4)	(2.4)
Income statement credit for the year	(14.1)	(2.9)	(17.0)
Loss allowance at 31 December 2024	12.8	4.7	17.5

18. Equity release portfolio held at FVTPL

Movements during the year in the equity release portfolio are outlined below.

	Group & Society	
£m	2025	2024
At 1 January	**277.2**	293.3
Redemptions	**(4.0)**	(4.3)
Movements in fair value	**(14.5)**	(12.6)
Realised losses on redemption	**(1.3)**	(1.8)
Accrued interest	**5.7**	2.6
At 31 December	**263.1**	277.2

Further details on how the valuation of the equity release portfolio is derived, including the key inputs into the calculation, are found in Note 1f) and Note 1v).

The Group holds derivative financial instruments to economically hedge the movements in fair value of the equity release portfolio. The movement in fair value of the derivatives held to hedge the equity release portfolio during the year was a £8.1m gain (2024: £21.9m gain) and is included in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'.

The equity release portfolio comprises loans against which collateral is held in the form of property in the UK. As at 31 December 2025 this collateral was valued at £480.4m (2024: £506.4m).

19. Loans and advances to customers held at FVTPL

Movements during the year are outlined below:

	Group & Society	
£m	2025	2024
At 1 January	**0.9**	0.9
Repayments	**(0.2)**	(0.1)
Accrued interest	**0.1**	0.1
At 31 December	**0.8**	0.9

As outlined in Note 1f), the above loans consist mainly of certain lifetime mortgages that are required, under IFRS 9, to be held at FVTPL.

Collateral is held against the above loans in the form of property in the UK and is valued as at 31 December 2025 at £5.9m (2024: £6.0m).

20. Investments

a) Subsidiary undertakings

The net movement in investments in subsidiary undertakings during the year was as follows:

2025	Society		
£m	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Total
Cost			
At 1 January	183.5	403.9	**587.4**
Additions	-	60.3	**60.3**
Repayments	-	(9.5)	**(9.5)**
At 31 December	**183.5**	**454.7**	**638.2**
Provisions			
At 1 January	78.1	-	**78.1**
At 31 December	**78.1**	**-**	**78.1**
Net book value at 31 December	**105.4**	**454.7**	**560.1**

2024	Society		
£m	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Total
Cost			
At 1 January	183.5	372.7	556.2
Additions	-	37.1	37.1
Repayments	-	(5.9)	(5.9)
At 31 December	183.5	403.9	587.4
Provisions			
At 1 January	78.1	-	78.1
At 31 December	78.1	-	78.1
Net book value at 31 December	105.4	403.9	509.3

In respect of loans provided by the Society to its subsidiary undertakings, limits in place define the maximum amount that can be advanced to each subsidiary and any changes to these limits are required to be pre-approved by the Group Wholesale Credit Committee.

At 31 December 2025, a credit of £0.1m (2024: £nil) is included within 'Loans to subsidiary undertakings' in the table above, in relation to the cross-currency swap (as outlined in Note 11) for the Society. This also applies to the Group position, which comprises the external cross currency swap, being a credit of £0.1m (2024: £nil), together with investments in joint ventures totalling £13.2m (2024: £11.2m) (see page 204), which in aggregate totals £13.1m (2024: £11.2m) as shown per the Statement of Financial Position line 'Investments in subsidiary undertakings and joint ventures'.

20. Investments (continued)

At the end of the current and preceding financial year the Group held a controlling interest in the following principal trading subsidiary undertakings:

			Ownership Interest (%)	
Name of subsidiary undertaking	Principal business activity	Registered office	2025	2024
Connells Limited and subsidiary undertakings	Estate agency and related businesses	Cumbria House, 16-20 Hockliffe Street, Leighton Buzzard, Bedfordshire, LU71GN	**100**	100
Darrowby No. 6 plc	Funding vehicle	10th Floor, 5 Churchill Place, London, E14 5HU	**(See below)**	(See below)
Jade Software Corporation Limited and subsidiary undertakings	Provider of software development services	5 Sir Gil Simpson Drive, Christchurch 8053, New Zealand	**100**	100
Skipton Business Finance Limited (SBF)	Provider of debt factoring services	The Bailey, Skipton, North Yorkshire, BD23 1DN	**100**	100
Skipton Covered Bonds Limited Liability Partnership	Mortgage acquisition and guarantor of covered bonds	The Bailey, Skipton, North Yorkshire, BD23 1DN	**(See below)**	(See below)
Skipton Financial Services Limited	Financial adviser	The Bailey, Skipton, North Yorkshire, BD23 1DN	**100**	100
Skipton Group Holdings Limited (SGHL)	Intermediate holding company	The Bailey, Skipton, North Yorkshire, BD23 1DN	**100**	100
Skipton International Limited (SIL)	Offshore deposit taker and lender	Tudor House, Le Bordage, St Peter Port, Guernsey, GY1 6DS	**100**	100
Skipton Trustees Limited	Estate administration services	The Bailey, Skipton, North Yorkshire, BD23 1DN	**100**	100

The Group also continues to hold 100% (2024: 100%) in the former lending entity North Yorkshire Mortgages Limited, which ceased active trading in 2021.

On 1 January 2025, Jade acquired Northwest Investments NZ Limited, for consideration of £0.2m, transferring 100% ownership at that date from Skipton Investments Limited. From 1 January 2025, Northwest Investments NZ Limited is held indirectly through the Group's investment in Jade.

All the above entities are incorporated, registered and operate in the United Kingdom except for SIL, which is incorporated and registered in Guernsey and operates in Guernsey, Jersey and the UK; and Jade, which is incorporated and registered in New Zealand and operates worldwide.

For the year ended 31 December 2025, the Society has provided guarantees over the liabilities of the following subsidiary undertakings; these are thereby exempt from audit for the year ended 31 December 2025, as permitted by Section 479A of the Companies Act 2006:

- Jade Software Corporation UK Limited
- North Yorkshire Mortgages Limited
- Skipton Group Holdings Limited
- Skipton Investments Limited
- Skipton Trustees Limited

Consolidation of special purpose vehicles (SPVs)

Darrowby No. 6 plc is a securitisation vehicle formed with only nominal share capital. Skipton Covered Bonds LLP, of which the Society is a member, was formed to guarantee payments on covered bonds that the Society issues to the wholesale market. These SPVs are funded through loans from the Society and their activities are carried out under the direction of the Society, in line with the transaction documentation.

20. Investments (continued)

The Society is exposed to variable returns from these entities and has the ability to affect those returns in line with the transaction documentation; these SPVs therefore pass the test of control under IFRS 10 and are fully consolidated into the Group Accounts. The Society has no contractual arrangements or intention to provide additional financial or other support to these SPVs.

b) Acquisitions

During the year the Group, via its subsidiaries, as part of a continued commitment to strategic expansion, acquired the entities outlined below for total cash consideration of £48.2m. Of the total consideration, £28.8m was paid in the year, with an element deferred / contingent. £7.6m is payable on the first anniversary of the acquisitions, with the second and third anniversary payments totalling £11.8m, subject to certain conditions. The fair value of the deferred / contingent consideration is not materially different to the cash consideration payable. The acquisitions have been accounted for as a business combination under IFRS 3 *Business Combinations*.

- On 2 April 2025, Connells acquired 75% membership interest in Stiles Harold Williams Partnership LLP, a real estate advisory business; obtaining control in accordance with the LLP agreement and IFRS 10 *Consolidated Financial Statements*.
- On 3 April 2025, Connells acquired 75% membership interest in Ryden LLP, a commercial property agency; obtaining control in accordance with the LLP agreement and IFRS 10 *Consolidated Financial Statements*.
- On 29 May 2025, Connells acquired the entire share capital, and took control, of Aspire Estate Agents Limited and its subsidiary undertakings; an estate agency business based in London.
- On 28 November 2025, Jade acquired the entire share capital, and took control of, fellow Christchurch-based dairy supply chain management software company, Contec Group International Ltd.

The table below sets out the aggregated fair values of the identifiable assets and liabilities acquired. In accordance with IFRS 3 *Business Combinations*, the acquisition accounting is subject to finalisation within 12 months of the acquisition date; the amounts shown below have been updated from the provisional values that were reported in the Group's half-yearly report for the period ended 30 June 2025, to reflect the best estimates available at the reporting date.

£m	Book value	FV adjustments	Accounting adjustments	Fair value
Assets				
Loans and advances to credit institutions (note A)	8.7	-	-	**8.7**
Trade and other receivables (note B)	10.9	(0.2)	(0.3)	**10.4**
Property, plant and equipment	0.6	-	-	**0.6**
Right-of-use assets (note C)	-	-	3.8	**3.8**
Intangible assets (note D)	-	13.9	-	**13.9**
Total assets	20.2	13.7	3.5	**37.4**
Liabilities				
Trade and other payables	7.7	-	0.3	**8.0**
Provisions	1.2	-	0.1	**1.3**
Deferred tax liabilities (note E)	-	3.7	-	**3.7**
Lease liabilities (note C)	-	-	3.7	**3.7**
Total liabilities	8.9	3.7	4.1	**16.7**
Net assets / (liabilities)	11.3	10.0	(0.6)	**20.7**
Fair value of net assets				**20.7**
Non-controlling interest (note F)				**(3.3)**
Goodwill arising on acquisition (note G)				**30.8**
Total consideration				**48.2**

20. Investments (continued)

Notes

A. With respect to 'Loans and advances to credit institutions', amounts acquired of £8.7m includes cash and cash equivalents of £8.7m.

B. Receivables acquired were recognised at fair value based on expected recoverability.

C. The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition, resulting in an adjustment to increase lease liabilities by £3.7m. The related right-of-use assets were measured at an amount broadly equal to the lease liabilities, resulting in an adjustment to increase right-of-use assets by £3.8m.

D. The total fair value of intangible assets represents amounts in respect of software, brands, and customer contracts and relationships. The fair value adjustments totalling £13.9m reflect management's assessments, using methodologies that are in line with industry best practice.

E. The fair value adjustment of £3.7m relates to the deferred tax impact of amounts recognised at acquisition in respect of intangible assets (see note D above).

F. At the acquisition date, the Group recognised a non-controlling interest (NCI) representing 25% of the equity in Stiles Harold Wiliams Partnership LLP and Ryden LLP, based on the ownership structure set out in the Share Purchase Agreement. The NCI was measured using the 'proportionate share of net assets' method, resulting in a recognised NCI amount of £3.3m.

G. The goodwill reflects synergies, the acquired workforce, new geographical locations and business expertise; of which none is deductible for tax purposes.

Pre-acquisition profits for the period up to the date of acquisition have been excluded from Group consolidated earnings, as required under acquisition accounting.

From the date of acquisition, the acquired businesses contributed total income of £25.4m and profit before tax of £2.9m to the Skipton Group's consolidated Income Statement for the year ended 31 December 2025.

If the results of the acquisitions were consolidated for the full financial year, as if the acquisition had taken place at 1 January 2025, the Skipton Group's total income for the year ended 31 December 2025 would have been £1,728.3m and Skipton Group profit before tax for the year ended 31 December 2025 would have been £277.9m; these amounts have been determined assuming all other things being equal, including an assumption that the fair values of assets acquired would not be materially different if the acquisition date had been 1 January 2025.

Associated transaction costs of £0.7m were incurred by the Group in relation to the acquisitions. These costs were expensed to the Income Statement as incurred and are included within 'Administrative expenses'.

Other acquisitions

During 2025 Connells purchased a further ten minor estate agency and or/ lettings businesses, that were individually and collectively immaterial, for total consideration of £6.5m (of which £1.2m is deferred), generating goodwill of £2.6m. In addition, Connells also purchased non-controlling interests in an existing subsidiary undertaking, The Asset Management Group Limited, during the year, for cash consideration of £4.5m, taking its shareholding to 100%.

In the prior year, Connells purchased a number of small businesses for total consideration of £1.5m (of which £0.2m was deferred), generating goodwill of £0.5m.

c) Disposals

During the year, Connells disposed of the following businesses: Mortgage Intelligence Limited; Mortgage Next Network Limited; Life and Easy Limited; and the Just Wills group of entities*. These businesses generated combined revenue of £7.2m (2024: £7.7m), representing 1% of Connells' group revenue. The disposals did not constitute a separate major line of business or geographical area and were therefore not presented as discontinued operations under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The disposals resulted in a gain of £10.8m, which is included in the Income Statement line 'Other operating income'.

* The Just Wills group of entities disposed of, comprises: Allguard Legal Services Ltd; Chancery Law Services Ltd; Executry Services Scotland Ltd; Heritage Family Estates Limited; IHLS Ltd; In Home Legal Services Ltd; Just Wills Group Limited; Just Wills Holdings Limited; Just Wills Limited; Legal Services Probate Ltd; Legal Services UK Ltd; Redstone Wills Limited; The Universal Trust Corporation; Willcraft Services Ltd; Willmaster Ltd; and Willmaster Storage Ltd.

20. Investments (continued)

d) Joint ventures

At 31 December 2025, the Group held interests in the following companies that are classed as joint ventures:

			Ownership Interest (%)		Carrying Value (£m)	
Name of investment	Principle Business Activity	Class of shares held	2025	2024	2025	2024
Cybele Solutions Holdings Limited*	Conveyancing services	Ordinary	**50.0**	50.0	**13.2**	11.2

* Registered office is Bickerton House, Lloyd Drive, Ellesmere Port, Cheshire CH65 9HQ

The Group's combined share of net assets and the Group's combined share of profit after tax for the above joint venture are presented within the Statement of Financial Position and the Income Statement respectively. The Directors reviewed the carrying value of the joint venture during the year and considered that no impairment adjustment was required (2024: £nil).

e) Equity share investments mandatorily held at FVTPL

The Group's investments in equity shares mandatorily held at FVTPL is summarised below:

	Group	
£m	2025	2024
Unlisted investments	**18.3**	16.9
Total	**18.3**	16.9

The movement during the year in the Group's equity share investments mandatorily held at FVTPL is analysed in Note 46.

Unlisted investments

The carrying values of the Group's equity share investments mandatorily held at FVTPL are typically based on the amounts invested by the Group or, where appropriate, on third party valuations.

21. Assets held for sale

The Statement of Financial Position includes the following amounts in respect of assets held for sale:

	Group		Society	
£m	2025	2024	2025	2024
Assets held for sale	**3.7**	-	**3.7**	-

On 1 March 2025 the Group reclassified freehold land and buildings to 'Assets held for sale' under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. This property was previously held partly within 'Property, plant and equipment' and partly within 'Investment property'.

The property is being actively marketed for sale, which management expects to complete within 12 months. No gain or loss arose in the year as a result of this reclassification. The assets held for sale are presented within the 'Society' reportable segment for segmental reporting purposes.

22. Property, plant and equipment

Group £m	2025 Land and buildings	2025 Equipment, fixtures and fittings	2025 Total	2024 Land and buildings	2024 Equipment, fixtures and fittings	2024 Total
Cost						
At 1 January	115.6	93.9	**209.5**	110.8	87.9	198.7
Additions	6.4	7.5	**13.9**	8.9	13.1	22.0
Disposals	(1.2)	(7.5)	**(8.7)**	(3.7)	(6.9)	(10.6)
Acquisition of subsidiary undertakings	0.1	0.5	**0.6**	-	-	-
Foreign exchange movements on translation	-	-	**-**	-	(0.2)	(0.2)
Reclassification to assets held for sale	(0.8)	-	**(0.8)**	-	-	-
Reclassification to investment property	(0.1)	-	**(0.1)**	(0.4)	-	(0.4)
At 31 December	**120.0**	**94.4**	**214.4**	115.6	93.9	209.5
Depreciation						
At 1 January	61.0	67.6	**128.6**	58.4	65.8	124.2
Charge for the year	6.4	9.0	**15.4**	5.9	8.4	14.3
Impairment charge	-	1.0	**1.0**	-	-	-
Disposals	(0.9)	(6.5)	**(7.4)**	(3.2)	(6.4)	(9.6)
Foreign exchange movements on translation	-	(0.1)	**(0.1)**	-	(0.2)	(0.2)
Reclassification to assets held for sale	(0.2)	-	**(0.2)**	-	-	-
Reclassification to investment property	-	-	**-**	(0.1)	-	(0.1)
At 31 December	**66.3**	**71.0**	**137.3**	61.0	67.6	128.6
Net book value at 1 January	**54.6**	**26.3**	**80.9**	52.4	22.1	74.5
Net book value at 31 December	**53.7**	**23.4**	**77.1**	54.6	26.3	80.9

Society £m	2025 Land and buildings	2025 Equipment, fixtures and fittings	2025 Total	2024 Land and buildings	2024 Equipment, fixtures and fittings	2024 Total
Cost						
At 1 January	57.1	21.5	**78.6**	55.1	17.5	72.6
Additions	3.0	3.2	**6.2**	4.5	6.0	10.5
Disposals	(0.6)	(0.7)	**(1.3)**	(2.1)	(2.0)	(4.1)
Reclassification to assets held for sale	(0.8)	-	**(0.8)**	-	-	-
Reclassification to investment property	(0.1)	-	**(0.1)**	(0.4)	-	(0.4)
At 31 December	**58.6**	**24.0**	**82.6**	57.1	21.5	78.6
Depreciation						
At 1 January	23.6	11.9	**35.5**	22.6	11.0	33.6
Charge for the year	2.8	3.5	**6.3**	2.8	2.9	5.7
Disposals	(0.6)	(0.7)	**(1.3)**	(1.7)	(2.0)	(3.7)
Reclassification to assets held for sale	(0.2)	-	**(0.2)**	-	-	-
Reclassification to investment property	-	-	**-**	(0.1)	-	(0.1)
At 31 December	**25.6**	**14.7**	**40.3**	23.6	11.9	35.5
Net book value at 1 January	**33.5**	**9.6**	**43.1**	32.5	6.5	39.0
Net book value at 31 December	**33.0**	**9.3**	**42.3**	33.5	9.6	43.1

22. Property, plant and equipment (continued)

Property, plant and equipment additions (Group and Society) include £0.6m (2024: £0.5m) in land and buildings and £nil (2024: £nil) in equipment, fixtures and fittings in relation to Capital Work in Progress (CWIP), relating mainly to branch refurbishment projects.

As outlined in Note 21, during the year, property, plant and equipment with a total carrying value of £0.6m was reclassified as held for sale, and therefore presented separately within the Statement of Financial Position.

The net book value of land and buildings comprises:

	Group		Society	
£m	2025	2024	2025	2024
Freehold	**36.7**	38.3	**25.0**	25.6
Long leasehold	**2.6**	2.7	**2.6**	2.7
Short leasehold	**14.4**	13.6	**5.4**	5.2
Total	**53.7**	54.6	**33.0**	33.5

23. Right-of-use assets

Group £m	2025 Land and buildings	2025 Equipment, fixtures and fittings	2025 Total	2024 Land and buildings	2024 Equipment, fixtures and fittings	2024 Total
Cost						
Balance at 1 January	163.8	22.6	**186.4**	160.4	21.3	181.7
Additions	25.2	15.7	**40.9**	17.1	2.2	19.3
Acquisition of subsidiary undertakings	4.0	-	**4.0**	-	-	-
Lease modifications and remeasurements	13.7	1.0	**14.7**	11.2	-	11.2
Disposals	(30.6)	(0.2)	**(30.8)**	(24.7)	(0.9)	(25.6)
Foreign exchange movements on translation	(0.1)	-	**(0.1)**	(0.2)	-	(0.2)
At 31 December	**176.0**	**39.1**	**215.1**	163.8	22.6	186.4
Depreciation						
Balance at 1 January	81.3	14.7	**96.0**	70.9	9.9	80.8
Charge for the year	32.3	7.0	**39.3**	32.1	5.6	37.7
Impairment charge	1.8	0.1	**1.9**	2.3	0.1	2.4
Disposals	(28.8)	(0.2)	**(29.0)**	(23.8)	(0.9)	(24.7)
Foreign exchange movements on translation	(0.1)	-	**(0.1)**	(0.2)	-	(0.2)
At 31 December	**86.5**	**21.6**	**108.1**	81.3	14.7	96.0
Net book value at 1 January	**82.5**	**7.9**	**90.4**	89.5	11.4	100.9
Net book value at 31 December	**89.5**	**17.5**	**107.0**	82.5	7.9	90.4

Society £m	2025 Land and buildings	2025 Equipment, fixtures and fittings	2025 Total	2024 Land and buildings	2024 Equipment, fixtures and fittings	2024 Total
Cost						
At 1 January	18.9	-	**18.9**	18.9	0.2	19.1
Additions	1.8	-	**1.8**	0.8	-	0.8
Disposals	(2.8)	-	**(2.8)**	(0.8)	(0.2)	(1.0)
At 31 December	**17.9**	**-**	**17.9**	18.9	-	18.9
Depreciation						
At 1 January	10.6	-	**10.6**	9.0	0.1	9.1
Charge for the year	2.1	-	**2.1**	2.2	-	2.2
Disposals	(2.8)	-	**(2.8)**	(0.6)	(0.1)	(0.7)
At 31 December	**9.9**	**-**	**9.9**	10.6	-	10.6
Net book value at 1 January	**8.3**	**-**	**8.3**	9.9	0.1	10.0
Net book value at 31 December	**8.0**	**-**	**8.0**	8.3	-	8.3

The Group's leases relate mainly to branch premises operated by the Society and by Connells. The Group's leases are typically negotiated on an individual basis and thus include a wide variety of terms and conditions, including options to extend or terminate. There are no significant restrictions or covenants, residual value guarantees or sale and leaseback transactions. As at 31 December 2025, the lease liability (see Note 31) is considered by the Group to represent a reliable estimate of the present value of the future cash outflows to which the Group is exposed. A number of the Group's leased properties are sublet, in full or in part, by the Group. For the year ended 31 December 2025, other operating income includes £0.1m (2024: £0.1m) (Group) and £nil (2024: £nil) (Society) relating to the subleasing of properties accounted for as right-of-use assets. For details of the Group's lease liabilities, see Note 31. For further details of the Group's lease expenses in the year, see Note 7.

24. Investment property

£m	Group & Society 2025	2024
Cost		
At 1 January	**25.1**	25.1
Additions	**0.1**	-
Disposals	**(0.1)**	(0.4)
Reclassification to assets held for sale	**(22.8)**	-
Reclassification from property, plant and equipment	**0.1**	0.4
At 31December	**2.4**	25.1
Depreciation		
At 1 January	**20.6**	20.0
Charge for the year	**0.3**	0.6
Impairment credit	**(0.1)**	-
Disposals	**(0.1)**	(0.1)
Reclassification to assets held for sale	**(19.7)**	-
Reclassification from property, plant and equipment	**-**	0.1
At 31 December	**1.0**	20.6
Net book value at 1 January	**4.5**	5.1
Net book value at 31 December	**1.4**	4.5

All investment property relates to property purchased by the Society and is either unoccupied by the Society or relates to branches where part of the property is subleased.

As outlined in Note 21, during the year, investment property with a total carrying value of £3.1m was reclassified as held for sale, and therefore presented separately within the Statement of Financial Position.

The amount of rental income from investment property recognised in the Income Statement during the year was £0.2m (2024: £1.9m) for the Group and Society.

The aggregate estimated market value of investment properties is set out in the table below:

£m	Group & Society 2025	2024
Market value of investment property	**2.1**	5.4

The estimated market value of the investment properties has been determined by an appropriately qualified internal valuer, supported by external valuations where appropriate, in accordance with RICS Appraisal and Valuation Standards and is an indication of fair value. This fair value measurement is categorised as a Level 3 fair value measurement, as described in Note 46b).

For the majority of the Group's investment properties, fair value is estimated using the market valuation approach which uses prices and other relevant information generated by market transactions involving comparable properties. Where comparable transactions may not be available, the Group may also consider a discounted cash flow technique which considers the present value of the net cash flows to be generated from the property, taking into account expected rental growth, void periods and rent-free periods. The expected net cash flows are discounted using risk-adjusted discount rates.

The Directors have assessed the carrying value of the investment properties compared to their fair value and have concluded that no impairment charge should be recognised for the year (2024: £nil).

25. Intangible assets

	Group		Society	
£m	2025	2024	2025	2024
Goodwill	**249.9**	218.5	**-**	-
Other intangible assets	**127.7**	92.9	**8.3**	4.2
Total intangible assets	**377.6**	311.4	**8.3**	4.2

Goodwill	Group	
£m	2025	2024
Cost, less amortisation to 1 January 2004		
At 1 January	**231.0**	230.2
Acquisitions of subsidiary undertakings and business units (Note 20b))	**33.2**	0.5
Revaluation of put options	**0.8**	0.3
Disposal of subsidiary undertakings	**(2.6)**	-
At 31 December	**262.4**	231.0
Impairment losses		
At 1 January	**12.5**	12.5
At 31 December	**12.5**	12.5
Net book value at 1 January	**218.5**	217.7
Net book value at 31 December	**249.9**	218.5

Goodwill acquired in a business combination is allocated at acquisition to the cash generating unit (CGU), or group of CGUs, that is expected to benefit from that business combination (as further described in Note 1e)); at Skipton Group level, the allocation of goodwill typically reflects the Group's operating segments. The Group's reportable segments are currently assessed and presented at the operating entity level and goodwill held by the Group is allocated accordingly; when testing goodwill held by the Group for impairment at the consolidated level, amounts relating to CGUs within the Connells business are therefore aggregated.

The carrying value of goodwill held by the Group has been allocated as follows:

Carrying value of goodwill	2025 (£m)			2024 (£m)		
Operating Segment	Cost of goodwill	Accumulated impairment	Carrying value	Cost of goodwill	Accumulated impairment	Carrying value
Connells	244.9	7.5	**237.4**	219.7	7.5	212.2
Other	17.5	5.0	**12.5**	11.3	5.0	6.3
Total goodwill	**262.4**	**12.5**	**249.9**	231.0	12.5	218.5

25. Intangible assets (continued)

Based upon the Directors' assessment of recoverable amounts, the Directors have concluded that no impairment of goodwill or brands is required to be recognised in 2025 (2024: £nil). Sensitivity disclosures are provided below.

The recoverable amounts of the operating segments are determined by consideration of value in use calculations. The key assumptions for the value in use calculations are those regarding cash flows, discount rates and growth rates.

The cash flows are derived from the most recent corporate plans for the next five years, which take into account the risks inherent in each of the segments. The cash flows are extrapolated for subsequent years indefinitely (or a specific number of years where circumstances dictate), to reflect that the underlying businesses are held for long-term investment, based on a long-term growth rate of 3.0% (2024: 3.0%) or specific growth rates where circumstances dictate.

The cash flows from the corporate plans are based upon the following key drivers:

Operating Segment	Key drivers
Connells	Volume of UK property transactions, house price inflation, level of unemployment and interest rates
Other	Volume of new business, arrears levels, level of unemployment and interest rates

In addition to the key drivers outlined above, the preparation of the corporate plan of Connells, the segment to which the majority of goodwill held by the Group is allocated, requires the Directors to take into account various other factors underpinning the UK housing market. These include, but are not limited to, expectations of Connells' future market share and projected average fees achievable in relation to second hand house sales. Connells' corporate plan is subject to robust scrutiny and challenge by the Connells and Society boards.

The Group estimates discount rates based upon the weighted average cost of capital which is adjusted to take account of the market risks associated with each segment.

The pre-tax discount rates are as follows:

Operating Segment	2025 (%)	2024 (%)
Connells	**16**	17
Other	**12**	12

Sensitivity disclosures

For goodwill and brands held by the Group, the impairment assessment is typically carried out at the operating segment level (as described in Note 1e)). For each segment to which goodwill and brands are allocated, the impairment test compares the carrying value against the segment's recoverable amount. The segment's recoverable amount is determined as the higher of a) its fair value less costs to sell and b) its value in use; value in use is determined by discounting the forecast future cash flows of the segment to present value.

There is significant headroom in relation to all the CGUs and no reasonably possible alternative assumptions in relation to any of the key inputs used would result in impairment.

25. Intangible assets (continued)

Other intangible assets	Group		Society	
£m	2025	2024	2025	2024
Cost				
At 1 January	**272.8**	260.1	**5.3**	1.3
Acquisition of subsidiary undertakings	**16.0**	-	**-**	-
Acquisition of other business assets	**1.4**	1.1	**-**	-
Additions	**33.8**	14.9	**4.1**	4.0
Foreign exchange movements on translation	**(1.4)**	(3.1)	**-**	-
Disposals	**(0.8)**	(0.2)	**-**	-
Disposal of subsidiaries	**(1.7)**	-	**-**	-
At 31 December	**320.1**	272.8	**9.4**	5.3
Amortisation and impairment				
At 1 January	**179.9**	164.6	**1.1**	1.1
Amortisation charge for the year	**13.2**	17.4	**-**	-
Impairment charge	**2.8**	0.7	**-**	-
Foreign exchange movements on translation	**(1.0)**	(2.6)	**-**	-
Disposals	**(0.8)**	(0.2)	**-**	-
Disposal of subsidiaries	**(1.7)**	-	**-**	-
At 31 December	**192.4**	179.9	**1.1**	1.1
Net book value at 1 January	**92.9**	95.5	**4.2**	0.2
Net book value at 31 December	**127.7**	92.9	**8.3**	4.2

Other intangible asset additions include £23.2m (2024: £7.8m) for the Group and £3.1m (2024: £4.0m) for the Society in relation to Capital Work in Progress (CWIP), relating to the ongoing Digital Transformation project for the Society, specifically App and portal enhancements, and in relation to various projects to upgrade IT capability within Connells. The net book value of other intangible assets comprises:

	Group		Society	
£m	2025	2024	2025	2024
Brands	**65.7**	61.2	**-**	-
Customer contracts and relationships	**11.0**	10.5	**-**	-
Computer software and databases	**51.0**	21.2	**8.3**	4.2
Total	**127.7**	92.9	**8.3**	4.2

The following table provides a breakdown of the carrying value of brands (which are deemed to have an indefinite useful life) within the Connells and Other operating segments:

£m	2025	2024
Aspire Estate Agents Limited	**1.5**	-
Contec Group International Ltd	**0.3**	-
Countrywide Estate Agents Limited	**42.6**	42.6
Gascoigne Halman Group Limited	**3.0**	3.0
Lambert Smith Hampton Group Limited	**12.1**	12.1
Peter Alan Limited	**2.3**	2.3
RMS Estate Agents Limited	**1.2**	1.2
Ryden LLP	**1.1**	-
Stiles Harold Williams Partnership LLP	**1.4**	-
Tylers Property Partnership Limited	**0.2**	-
Total brands	**65.7**	61.2
Goodwill	**249.9**	218.5
Total goodwill and brands	**315.6**	279.7

26. Other assets

	Group		Society	
£m	2025	2024	2025	2024
Trade receivables (Note 45c))	**73.6**	68.8	**1.5**	1.9
Prepayments	**40.4**	33.6	**19.7**	16.2
Accrued income	**27.9**	24.7	**2.4**	0.1
Equity share investments mandatorily held at FVTPL (Note 20e))	**18.3**	16.9	**-**	-
Share warrants	**-**	21.9	**-**	-
Investment property (Note 24)	**1.4**	4.5	**1.4**	4.5
Other	**16.1**	10.8	**1.5**	0.2
	177.7	181.2	**26.5**	22.9

27. Shares

	Group		Society	
£m	2025	2024	2025	2024
Held by individuals	**30,167.9**	27,943.5	**30,167.9**	27,943.5
Other shares	**301.9**	326.8	**301.9**	326.8
Fair value adjustment for hedged risk	**56.5**	(1.8)	**54.5**	(16.2)
	30,526.3	28,268.5	**30,524.3**	28,254.1

A maturity analysis of shares is included in Note 43.

28. Amounts owed to credit institutions

	Group		Society	
£m	2025	2024	2025	2024
Amounts owed to subsidiary undertakings	**-**	-	**186.0**	201.0
Other	**327.2**	1,599.6	**327.1**	1,599.6
	327.2	1,599.6	**513.1**	1,800.6

A maturity analysis of amounts owed to credit institutions is included in Note 43.

In the year, the remaining £1.0bn of the Bank of England's 'Term Funding Scheme with additional incentives for SMEs' (TFSME) was repaid (2024: £0.35bn repaid). The Society no longer has any outstanding TFSME payable (2024: £1.0bn).

29. Amounts owed to other customers

	Group		Society	
£m	2025	2024	2025	2024
Amounts owed to subsidiary undertakings	**-**	-	**1,118.1**	1,212.7
Other	**2,719.6**	2,751.1	**53.8**	56.2
	2,719.6	2,751.1	**1,171.9**	1,268.9

A maturity analysis of amounts owed to other customers is included in Note 43.

Amounts owed to other customers by the Group relate primarily to retail deposits accepted through the Group's Channel Islands based subsidiary, SIL. At 31 December 2025 the amount of such deposits included above is £2,368.5m (2024: £2,417.7m).

29. Amounts owed to other customers (continued)

Amounts owed to subsidiary undertakings by the Society include £627.1m (2024: £760.7m) in respect of a deemed loan from the special purpose vehicle Darrowby No. 6 plc which is held at amortised cost, in line with the accounting policy outlined in Note 1g). The deemed loan is an agreement to pay over the income received by the Society on the mortgage pool to the SPV and the only credit risk that arises is from the Society; however, the Society is not required to make up any shortfall (i.e. any bad debts from customers within the mortgage pool) as per the deemed loan contract, and therefore the credit risk on cash flows owed to Darrowby No. 6 plc is considered very low.

30. Debt securities in issue

	Group		Society	
£m	2025	2024	2025	2024
Certificates of deposit	**-**	5.1	**-**	5.1
Covered bonds	**2,941.3**	1,934.9	**2,955.0**	1,925.0
Securitisation	**398.3**	491.6	**-**	-
Fair value adjustment for hedged risk	**22.3**	3.7	**-**	-
	3,361.9	2,435.3	**2,955.0**	1,930.1

A maturity analysis of debt securities in issue is included in Note 43.

During 2025 the Society issued covered bonds of £500m in both May and September.

Group debt securities in issue include £3,339.6m (2024: £2,426.5m) of funding secured on certain loans and advances to customers through the Group's securitisation vehicle Darrowby No. 6 plc and the special purpose vehicle Skipton Covered Bonds LLP.

31. Lease liabilities

	Group		Society	
£m	2025	2024	2025	2024
At 1 January	**92.1**	103.0	**8.6**	10.3
Additions	**40.7**	18.1	**1.7**	0.7
Acquisition of subsidiary undertakings	**4.0**	-	**-**	-
Modifications / remeasurements of existing lease Liabilities	**14.7**	11.2	**-**	-
Interest charged	**4.6**	3.1	**0.3**	0.3
Lease payments (including interest)	**(43.9)**	(42.4)	**(2.4)**	(2.6)
Disposals	**(1.9)**	(0.9)	**-**	(0.1)
At 31 December	**110.3**	92.1	**8.2**	8.6

A maturity analysis of lease liabilities is included in Note 43.

For details of the Group's right-of-use assets, see Note 23. For further details of the Group's lease expenses in the year, see Note 7.

32. Other liabilities

£m	Group 2025	Group 2024	Society 2025	Society 2024
Trade payables	**14.4**	11.0	**3.4**	2.8
Fair value of put option obligation	**1.0**	4.1	**-**	-
VAT and employment taxes	**50.0**	39.5	**3.9**	3.0
Other	**43.9**	32.0	**5.3**	5.2
	109.3	86.6	**12.6**	11.0

Put option obligation

The movement in the fair value of the put option obligation is summarised below:

£m	Group 2025	Group 2024
At 1 January	**4.1**	3.5
Additions	**0.1**	-
Exercise of put options by non-controlling shareholders	**(4.2)**	-
Revaluation of market values and changes to future exercise dates	**1.0**	0.6
At 31 December	**1.0**	4.1

33. Provisions for liabilities

The movements in provisions for liabilities during the year were as follows:

	2025					
Group £m	Provision for the costs of surplus properties	Commission clawbacks	Survey and valuation claims	Customer compensation	Other provisions	Total
At 1 January	**4.0**	**17.9**	**3.7**	**0.6**	**5.6**	**31.8**
Acquired on acquisition of subsidiaries	**0.1**	**-**	**0.2**	**-**	**-**	**0.3**
Disposal of subsidiary undertakings	**-**	**(0.1)**	**-**	**-**	**-**	**(0.1)**
Charge for the year	**0.3 [A]**	**15.5 [B]**	**0.5 [A]**	**-**	**0.1 [A]**	**16.4**
Utilised during the year	**(0.5)**	**(14.5)**	**(0.6)**	**-**	**(0.2)**	**(15.8)**
At 31 December	**3.9**	**18.8**	**3.8**	**0.6**	**5.5**	**32.6**

	2024					
Group £m	Provision for the costs of surplus properties	Commission clawbacks	Survey and valuation claims	Customer compensation	Other provisions	Total
At 1 January	5.6	17.0	5.2	0.3	1.3	29.4
(Credit) / charge for the year	(0.5)[A]	8.9[B]	(0.8)[A]	0.4[A]	4.5[A]	12.5
Utilised during the year	(1.1)	(8.0)	(0.7)	(0.1)	(0.2)	(10.1)
At 31 December	4.0	17.9	3.7	0.6	5.6	31.8

	2025				
Society £m	Provision for the costs of surplus properties	Commission clawbacks	Customer compensation	Other provisions	Total
At 1 January	**-**	**-**	**0.5**	**4.8**	**5.3**
Credit for the year	**-**	**-**	**-**	**(0.2)[A]**	**(0.2)**
At 31 December	**-**	**-**	**0.5**	**4.6**	**5.1**

	2024				
Society £m	Provision for the costs of surplus properties	Commission clawbacks	Customer compensation	Other provisions	Total
At 1 January	0.1	-	0.3	0.2	0.6
(Credit) / charge for the year	(0.1)[A]	0.1[A]	0.3[A]	4.6[A]	4.9
Utilised during the year	-	(0.1)	(0.1)	-	(0.2)
At 31 December	-	-	0.5	4.8	5.3

Notes

A. The charge / (credit) for the year is recognised within the Income Statement line 'Impairment and provisions'.

B. The provision for commission clawbacks include an expected future clawback on insurance commissions in the event of early termination by the customer. Insurance commission income is recognised net of these provisions, and therefore the charge for the year of £15.5m (2024: £8.8m charge) has been recognised against 'Fees and commissions receivable' in the Income Statement.

33. Provisions for liabilities (continued)

Provision for the costs of surplus properties

This provision was booked prior to the introduction of IFRS 16 for properties with non-cancellable leases where the Group no longer occupies the property. The provision represents the rent to the end of the lease, less any rental income from subletting the properties. The provision for the costs of surplus properties is expected to reverse over the remaining life of the leases or period to anticipated date of disposal, if sooner.

Commission clawbacks

The commission clawback provision represents an estimate of the repayment of commission to suppliers as a result of cancelled policies sold by Connells and the financial advice activities of the Group. These are estimated based upon anticipated cancellation rates and arise in the normal course of business.

Survey and valuation claims

Provision is made for professional indemnity claims and potential claims that arise during the normal course of business in relation to surveys and valuations carried out by Connells. The provision is based upon the expected level of future professional indemnity claims relating to services already provided and the value provided on each claim is the lower of the professional indemnity insurance excess per claim or the estimated exposure. To assess the level of future claims, analysis is performed on the number of preliminary notifications expected to turn into future claims and on historical claim trends to forecast the number of future claims where a notification is yet to be received. Historical data on claims success frequency and value is also used to estimate the size of the liability.

The professional indemnity claim provision is stated at the Directors' best estimate of the eventual liability, based on the information available at the time. Whilst the level of future claims is uncertain, the Group has robust processes in place that aim to restrict the number and magnitude of these.

Due to the nature of the professional indemnity claims it is difficult to indicate approximate payment timescales or claims received in future years. The provision will be utilised as individual claims are settled.

34. Deferred tax

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using the enacted tax rate expected to apply in the relevant tax jurisdiction for the period when these differences are expected to reverse, which is 28.0% (2024: 28.0%) for the Society and 25.0% (2024: 25.0%) for most other Group companies. The rate for the Society is higher than for most other Group companies as the Society's taxable profits over £100m are subject to a 3% banking surcharge.

The movement during the year in the overall net deferred tax (liability) / asset was as follows:

	Group		Society	
£m	2025	2024	2025	2024
Net deferred tax asset at 1 January	**6.3**	20.9	**11.2**	16.7
Income Statement charge (Note 12)	**(1.8)**	(7.9)	**-**	(2.0)
Items taken directly to other comprehensive income	**(0.2)**	(6.5)	**(5.1)**	(3.5)
Acquired on acquisition of subsidiaries	**(4.1)**	-	**-**	-
Acquired on acquisition of other business assets	**(0.3)**	(0.2)	**-**	-
Other movements	**(0.1)**	-	**0.1**	-
Net deferred tax (liability) / asset at 31 December	**(0.2)**	6.3	**6.2**	11.2

Deferred tax assets and liabilities are individually attributable to the following items:

Deferred tax assets (net of associated deferred tax liabilities – see note A)	Group		Society	
£m	2025	2024	2025	2024
Fixed asset temporary differences	**-**	3.8	**(1.6)**	(3.0)
Intangible asset temporary differences	**(1.9)**	(15.7)	**-**	-
Derivatives and loans (note B)	**-**	6.0	**3.1**	4.6
Pension obligations	**-**	5.6	**3.3**	3.5
Provisions	**0.2**	6.8	**2.7**	2.5
Corporation tax losses (note C)	**2.1**	2.1	**-**	-
Financial assets held at FVOCI	**-**	4.2	**2.4**	4.1
Cash flow hedges	**-**	(6.4)	**(3.7)**	(0.5)
Cost of hedging reserve	**-**	0.6	**-**	-
Gain deferred by rollover relief	**-**	(0.7)	**-**	-
Total	**0.4**	6.3	**6.2**	11.2

Deferred tax liabilities (net of associated deferred tax assets – see note A)	Group		Society	
£m	2025	2024	2025	2024
Fixed asset temporary differences	**(4.1)**	-	**-**	-
Intangible asset temporary differences	**22.8**	-	**-**	-
Derivatives and loans (note B)	**(7.3)**	-	**-**	-
Pension obligations	**(4.8)**	-	**-**	-
Provisions	**(6.9)**	-	**-**	-
Corporation tax losses (note C)	**(0.2)**	-	**-**	-
Financial assets held at FVOCI	**(2.5)**	-	**-**	-
Cash flow hedges	**3.8**	-	**-**	-
Cost of hedging reserve	**(0.2)**	-	**-**	-
Total	**0.6**	-	**-**	-

Overall net deferred tax (liability) / asset	**(0.2)**	6.3	**6.2**	11.2

34. Deferred tax (continued)

Notes

A. Deferred tax assets and liabilities relating to the same taxation authority are offset within the Statement of Financial Position where there is a legally enforceable right of offset and the intention is to settle tax liabilities and assets on a net basis.

B. The Society amount above is in relation to the adoption of IFRS 9 in 2018; this resulted in an initial adjustment to the deferred tax asset in the Society of £13.3m which, as permitted by relevant accounting standards, is being released to the Income Statement over a 10 year period.

C. The deferred tax assets shown above relating to corporation tax losses include £0.2m in respect of certain Connells entities (2024: £0.2m), together with £2.1m in respect of certain Jade entities (2024: £1.9m). These deferred tax amounts were assessed by reference to the Group's five-year corporate planning period. For Jade, management also considered the recent trading history of relevant Jade entities.

D. As noted above, deferred tax assets and liabilities are offset within each jurisdiction where these criteria are met. The totals in the final two tables on page 217 therefore represent the net deferred tax position after relevant offsetting on a jurisdictional basis, with the total deferred tax asset of £0.4m comprising those jurisdictions in a net deferred tax asset position and the total deferred tax liability of £0.6m comprising those jurisdictions in a net deferred tax liability position.

The deferred tax charge in the Income Statement comprises the following:

	Group		Society	
£m	2025	2024	2025	2024
Fixed asset temporary differences	**0.1**	3.0	**(1.3)**	1.2
Intangible asset temporary differences	**4.2**	(1.8)	**-**	-
Provisions	**(0.3)**	(0.4)	**(0.2)**	(0.7)
Derivatives and loans	**(1.3)**	1.6	**1.5**	1.5
Corporation tax losses	**(0.2)**	3.9	**-**	-
Tax losses on IFRS 16 transitional adjustments	**-**	1.7	**-**	-
Other	**(0.7)**	(0.1)	**-**	-
Total	**1.8**	7.9	**-**	2.0

Deferred tax has not been recognised in relation to certain losses carried forward at 31 December 2025, which comprise the following:

- Trading losses of £1.3m for the Group (2024: £1.5m) and £nil for the Society (2024: £nil);
- Capital losses of £65.2m for the Group (2024: £56.7m) and £8.5m for the Society (2024: £nil); and
- Other tax losses of £0.2m for the Group (2024: £0.2m) and £nil for the Society (2024: £nil).

Trading losses relate to certain Jade entities and are based on the Group's five-year corporate plan as well as the recent trading history of those entities. Capital losses relate primarily to Countrywide entities; in determining the amounts to be unrecognised, management considered the likelihood of future capital gains materialising against which these losses could be offset and recognised.

The majority of deferred tax assets are anticipated to be recoverable after one year. The Group's plans indicate that the Group and Society will generate sufficient taxable profits over its five-year planning period to absorb the corporation tax losses included within deferred tax at the reporting date, together with those other temporary differences that are expected to reverse during that period.

35. Loan to defined benefit pension scheme held at FVTPL

On 31 January 2025, as part of a strategy to de-risk the Society's exposure to its defined benefit obligation, the Skipton Building Society (2015) Group Pension Scheme was subject to an insurer buy-in (further detailed in Note 36).

In connection with the buy-in, the Society made a loan to the Scheme – originally advanced in January 2025 in Sterling but subsequently converted into a USD-denominated loan on 24 September 2025. In addition, the maturity date of the loan was extended from 31 December 2027 to 30 November 2028.

The purchase of the insurance policy used the assets of the Scheme, except for £14.6m of illiquid assets held by the Scheme (as of 31 January 2025) which were not acquired by the insurer and thus remain in the Scheme. A loan of £14.6m was advanced by the Society to the Scheme in January 2025, to be repaid using the proceeds from the illiquid assets as they mature.

Due however to the illiquid assets being entirely denominated in USD (through hedging arrangements within the fund itself), the GBP loan was repaid and replaced with one denominated in USD on 24 September 2025, to eliminate any foreign exchange risk arising from the USD-denominated proceeds from the fund. The Society sourced the USD required to fund this lending through utilising the existing repo agreement with SIL.

At 31 December 2025 the fair value of the loan was £10.9m, which includes a £2.2m fair value loss recognised within the Income Statement line 'Fair value (losses)/gains on financial instruments mandatorily held at FVTPL'. The valuation reflects management's estimate of the expected asset realisation profile, discounted using a rate that reflects credit and liquidity risk. The loan is categorised as a Level 3 instrument within the IFRS 13 fair value hierarchy, due to the use of unobservable inputs.

36. Pensions

a) Defined contribution schemes

The amount charged to the Income Statement in respect to the Group's defined contribution arrangements is the amount payable in the year. The total pension cost charged to the Income Statement amounted to £32.8m for the Group (2024: £28.6m) and £9.3m for the Society (2024: £8.2m).

b) Defined benefit schemes

During 2025 the Group sponsored the schemes set out below:

- The Skipton Building Society (2015) Group Pension Scheme (the 'Skipton (2015) Scheme') – a funded defined benefit arrangement;
- The Connells (2014) Group Pension Scheme (the 'Connells (2014) Scheme') – a funded defined benefit arrangement; and
- The Countrywide plc Pension Scheme (the 'Countrywide Scheme') – a funded defined benefit arrangement.

The schemes are separate trustee administered funds holding the pension scheme assets to meet long-term liabilities for current and past employees as follows:

- Skipton (2015) Scheme – 719 members
- Connells (2014) Scheme – 908 members
- Countrywide Scheme – 176 members

Skipton Pension Trustees Limited, a company that acts as the sole Trustee, is appointed to manage the Skipton (2015) Scheme and the Connells (2014) Scheme.

36. Pensions (continued)

For all three schemes the level of retirement benefit is based on salary earned in each year of employment prior to leaving active service as follows:

Skipton (2015) Scheme

There are two separate benefits sections within the scheme, as a result of the merger of two former pension schemes into the Skipton (2015) Scheme, where members' benefits in the former pension schemes were preserved. The benefits are based on the following:

- Old Skipton Scheme – the highest annual average salary earned over three consecutive years in the last 10 years of employment prior to leaving active service or, for members previously employed by Skipton Financial Services, the annual average salary earned in the last five years of employment prior to leaving active service; and
- Scarborough Scheme – the highest (prior to 2003) or the average (post 2003) annual salary earned in the last three years of employment prior to leaving active service.

Connells (2014) Scheme

There are three separate benefit sections within the scheme, as the Connells (2014) Scheme is a result of three previous schemes merged into one scheme in 2014. The benefits are based on the following:

- Scheme 1 – the highest annual average salary earned over three consecutive years in the last 10 years of employment prior to leaving active service;
- Scheme 2 – the annual average salary earned in the last three years of employment prior to leaving active service; and
- Scheme 3 – the greater of the annual average salary earned in the last three years and the highest annual average salary earned over three consecutive years in the last 10 years of employment prior to leaving active service.

Countrywide Scheme

The benefits are based on the following:

- the highest annual average salary earned over three consecutive years in the last 10 years of employment prior to leaving active service or, if higher, the highest annual salary in the last five years of employment prior to leaving active service.

The defined benefit schemes are all closed to new members and to the future accrual of benefits, with the exception of the Scarborough section of the Skipton (2015) Scheme where active members retain a link to salary (capped at 5% per annum). The Scarborough Scheme closed to the future accrual of benefits, subject to the exception noted above, on 1 May 2007, the Connells (2014) Scheme on 1 January 2009, the Skipton (2015) Scheme on 31 December 2009 and the Countrywide Scheme on 31 December 2003. Following the closure of all the schemes, all active members left pensionable service and became entitled to deferred benefits.

The schemes are subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and guidance notes adopted by the Financial Reporting Council, sets out the framework for funding defined benefit occupational pension schemes in the UK.

The Trustee of each scheme is required to act in the best interests of the scheme's beneficiaries. The appointment of the Trustee is determined by the scheme's trust documentation.

BlackRock act as fiduciary manager to set and deliver the investment strategy on behalf of the Trustee of the Skipton (2015) Scheme and the Connells (2014) Scheme.

Full actuarial valuations were carried out as at the dates set out below in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of each scheme is agreed between the Group and the Trustee in line with those requirements. This legislation requires the deficit to be calculated using prudent, as opposed to best estimate, actuarial assumptions.

36. Pensions (continued)

The most recent complete actuarial valuations for each of the schemes showed the following:

Scheme	Valuation date	Deficit £m	Recovery period	Annual contribution 2026 (estimate) £m
Skipton (2015)	31 December 2022	(24.5)	-	-
Connells (2014)	30 April 2023	(18.4)	6 years and 9 months	3.0
Countrywide	4 April 2021	(4.5)	-	-

The actuarial valuations of the above schemes each showed a deficit. At the time, the Group agreed with the Trustees of each scheme that it will aim to eliminate the deficit over a specified period by the payment of annual contributions as agreed by the Group and the Trustees. As part of the 31 December 2022 Skipton (2015) Scheme actuarial valuation, the Group agreed a one-off payment of £22,999,000 to reduce the expected ongoing contributions into this scheme to £nil; therefore, the current best estimate of contributions to be paid by the Group to the schemes for the year commencing 1 January 2026 is £3.0m (see page 227 for further details).

On 31 January 2025, as part of a strategy to de-risk the Society's exposure to its defined benefit obligation, the Skipton Building Society (2015) Group Pension Scheme was subject to an insurer buy-in. The majority of the Scheme's defined benefit obligations to members are now insured under a policy held by the Scheme, significantly reducing exposure to investment and longevity risk; certain obligations are not insured, for example any future impact of the application of Guaranteed Minimum Pension (GMP) equalisation requirements to historical transfers out of pension schemes. The insurance policy qualifies as a plan asset under IAS 19 and is measured at fair value.

During the year, the Countrywide defined benefit pension scheme was subject to a full insurer buy-out. As a result, all major obligations and associated assets were transferred to an insurance provider. There is only a small portion of assets and liabilities remaining in the balance which is expected to be settled in 2026. No settlement gain/loss has been recognised in the Income Statement following the buyout.

In light of the court appeal decision in July 2024, which upheld the High Court ruling in the Virgin Media v NTL case, management acknowledges its obligations under Section 37 of the Pension Schemes Act 1993.

Management welcomes the decision of the Department for Work and Pensions (DWP) made in its recent draft legislation which permits this issue to be resolved by the Actuary applying retrospective certification. This legislation is set to become law in the middle of 2026.

Management has continued to liaise with the Scheme lawyers and Independent Trustee throughout the period of uncertainty. Having reflected on the information received, management is awaiting the certainty of this wording and will work with the Scheme Actuary to ensure that any retrospective assessments can be provided to conclude this issue.

For the Countrywide scheme, documentation for the period 1997-2002 is unavailable. Management considers the risk of non-compliance during the period to be low, based on reasonable assumptions about historical benefit structures. For the Skipton Scheme, three Section 37 certificates have not been located. Legal advice has been obtained, and management similarly considers the risk of material non-compliance to be low.

Based on initial assessments, management does not anticipate a material impact on the Group's financial position, and therefore, no adjustments have been made to the schemes' valuations at this time. Management is not aware of any immediate implications from this ruling that would affect the Group's schemes and has a reasonable expectation that Section 37 requirements have been met accordingly. Due to the complexity of implementing the relevant legislation, it is currently not possible to determine the exact impact on the financial statements and pension obligations.

36. Pensions (continued)

The pension obligations are valued separately for accounting and funding purposes. For the purposes of IAS 19 *Employee Benefits*, the actuarial valuations, which were carried out by a qualified independent actuary, have been updated on an approximate basis to 31 December 2025. The actuarial valuation amounts shown in the table above will always be different to the IAS 19 accounting amounts as, in addition to the different dates of each valuation, accounting standards require best estimate assumptions to be used whereas the funding valuation uses more prudent assumptions. There have been no material changes in the valuation methodology adopted for this year's disclosures compared to the previous year's disclosures.

Scheme expenses and levies to the Pension Protection Fund are payable by the Group as and when they are due and are accounted for within the Group's administrative expenses.

The aggregate costs of the three schemes are recognised in accordance with IAS 19.

The main financial assumptions used in the actuarial valuation are as follows:

	Group & Society	
	2025	2024
Retail Price Inflation (RPI)	**3.00**	3.20
Consumer Price Inflation (CPI)	**2.55**	2.75
Discount rate	**5.60**	5.55
Increases to pension payment:		
in line with RPI, subject to a max of 5% pa	**2.85**	3.03
in line with RPI, subject to a min of 3% and max of 5% pa	**3.53**	3.69
in line with RPI, subject to a max of 2.5% pa	**2.02**	2.00
in line with CPI, subject to a max of 5% pa	**2.48**	2.69
in line with CPI, subject to a min of 3% and max of 5% pa	**3.38**	3.52
in line with CPI, subject to a max of 3% pa	**2.07**	2.13
in line with CPI, subject to a max of 2.5% pa	**1.85**	1.87
Fixed 4.00% pa	**4.00**	4.00
Rate of increase for deferred pensions (in line with CPI, subject to a max of 5% pa)	**2.55**	2.75
Allowance for commutation of pension for cash at retirement	**82% of post A day maximum**	82% of post A day maximum

All the schemes' deferred pensions accrue inflationary increases based on CPI rather than RPI, unless the scheme rules specifically refer to RPI.

The most significant non-financial assumption is the assumed rate of longevity. For the year ended 31 December 2025, these have been based on mortality rates that are 96% - 98% (male) and 96%-97% (female) of the standard S3PMA and S3PFA_M tables respectively, with an allowance for projected improvements in mortality in line with CMI_2023 improvements, with a 1.25% per annum long-term rate of convergence. The tables adopted imply the following life expectancy:

	Group & Society	
	2025	2024
Male retiring in the current year	**21.5 – 21.7**	21.6 - 21.7
Female retiring in the current year	**23.6 – 23.7**	23.6
Male retiring in 15 years' time	**22.4 – 22.5**	22.4 - 22.6
Female retiring in 15 years' time	**24.7 – 24.8**	24.6 - 24.7

When determining the financial and non-financial assumptions, consideration was given to the potential impact of climate related risks. Based on the evidence available at this time, it was concluded that no explicit allowances were required in this respect.

36. Pensions (continued)

As at 31 December 2025 the Statement of Financial Position includes amounts relating to defined benefit schemes as set out below:

	Group		Society	
£m	2025	2024	2025	2024
Within assets				
Retirement benefit surplus	-	4.8	-	4.8
Within liabilities				
Retirement benefit obligations	**(7.4)**	(8.6)	**(1.2)**	-

Retirement benefit surplus/obligations

For the Group and Society, amounts presented within 'Retirement benefit surplus' as at 31 December 2024 relate to the Skipton (2015) Scheme. For the Group, the amounts presented within 'Retirement benefit obligations' as at 31 December 2024 include the Connells (2014) Scheme and the Countrywide scheme.

The table below shows the net pension (liability) / asset recognised within the Statement of Financial Position:

Group £m	2025		2024		
	Retirement Benefit Obligation	Total	Retirement Benefit Surplus	Retirement Benefit Obligation	Total
Fair value of plan assets	158.5	**158.5**	91.9	103.5	195.4
Fair value of defined benefit obligation	(165.9)	**(165.9)**	(87.1)	(112.1)	(199.2)
Net pensions (liability) / asset	**(7.4)**	**(7.4)**	4.8	(8.6)	(3.8)

Society £m	2025		2024	
	Retirement Benefit Obligation	Total	Retirement Benefit Surplus	Total
Fair value of plan assets	85.2	**85.2**	91.9	91.9
Fair value of defined benefit obligation	(86.4)	**(86.4)**	(87.1)	(87.1)
Net pensions (liability) / asset	**(1.2)**	**(1.2)**	4.8	4.8

The present value of scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out by the schemes using the projected unit credit method. The value calculated in this way is reflected in the net (liability) / asset within the Statement of Financial Position as shown above.

The projected unit credit method is a valuation method in which each potential cash flow from the schemes (for example, annual pension payment or potential lump sum payment on death) is multiplied by an assumed probability of payment and discounted between the valuation date and the time the payment is needed.

All remeasurements are recognised in the year in which they occur in the Statement of Comprehensive Income. As all remeasurements and assets are recognised, the deficits shown above are those recognised within the Statement of Financial Position.

36. Pensions (continued)

The table below sets out a reconciliation of the present value of the defined benefit obligation for the year:

	Group		Society	
£m	2025	2024	2025	2024
At 1 January	**199.2**	217.3	**87.1**	95.1
Interest expense	**10.3**	9.9	**4.7**	4.4
Remeasurement losses / (gains) arising from changes in:				
Scheme experience	**0.3**	0.3	**0.2**	-
Demographic assumptions	**1.7**	(0.5)	**0.8**	(0.2)
Financial assumptions	**(2.5)**	(17.6)	**(1.4)**	(8.1)
Actual benefit payments	**(11.6)**	(10.2)	**(5.0)**	(4.1)
Settlement payments	**(31.5)**	-	**-**	-
At 31 December	**165.9**	199.2	**86.4**	87.1

The £31.5m settlement payment relates to the Countrywide scheme buy-out (see page 229 for further details).

The estimated average duration of the defined benefit obligation as at 31 December 2025 is 12 years (2024: 13 years).

The table below sets out the reconciliation of the fair value of scheme assets for the year:

	Group		Society	
£m	2025	2024	2025	2024
At 1 January	**195.4**	191.1	**91.9**	79.2
Interest income	**10.8**	10.0	**5.5**	4.8
Return on plan assets (excluding amounts included in interest income)	**(19.0)**	(21.5)	**(17.9)**	(11.0)
Contributions by employer	**14.4**	26.0	**10.7**	23.0
Benefits paid	**(11.6)**	(10.2)	**(5.0)**	(4.1)
Settlements paid	**(31.5)**	-	**-**	-
At 31 December	**158.5**	195.4	**85.2**	91.9

The actual return on the scheme assets, including interest income on plan assets, over the year ended 31 December 2025 was as follows:

- Group £(8.2)m (2024: £(11.5)m)
- Society £(12.4)m (2024: £(6.2)m)

The table below sets out the fair value of the scheme assets by each major category:

	Group		Society	
£m	2025	2024	2025	2024
Diversified growth fund (note A)	**24.0**	28.2	**12.0**	14.4
Insured pensioners (annuities) (note B)	**85.6**	31.3	**85.6**	-
Liability driven investments (note C)	**52.1**	125.0	**-**	76.2
Equities	**5.5**	5.4	**-**	-
Cash (note D)	**(10.9)**	2.9	**(12.4)**	1.3
Corporate bonds	**1.9**	1.3	**-**	-
Government bonds	**0.3**	1.3	**-**	-
Total	**158.5**	195.4	**85.2**	91.9

36. Pensions (continued)

Notes

A. Diversified growth funds (DGF) target equity-like returns with lower volatility which is achieved through dynamic diversification. Funds are invested in a diversified range of assets, including equities, bonds, property and cash and the allocation between these asset classes is actively managed by a fund manager reflecting the changing correlations and risk characteristics.

B. An insured pensioner annuity is a type of annuity that is purchased by the scheme to provide a guaranteed income to its members. The insurer takes on the risk of paying the income, rather than the pension scheme.

C. Liability driven investments (LDI) are investments in assets which are expected to behave in a similar manner to liabilities and therefore aim to provide a better match against liability movements than conventional bonds or gilts.

D. The negative balance of cash is due to inclusion of the loan to defined benefit pension scheme held at FVTPL (see Note 35), in line with the provisions of IAS 19 *Employee Benefits*.

Each of the schemes invests in an LDI fund which aims to provide protection against interest rate and inflation movements. The Trustee has an approach to asset-liability matching where the level of coverage of interest rate sensitivity and inflation sensitivity are set based on a series of funding ratio triggers. This applies to both the Skipton (2015) Scheme and the Connells (2014) Scheme.

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group. The schemes' assets that are invested in exchange traded funds have a quoted market price. The remainder use either the price of a recent transaction for an identical asset (where quoted prices for the asset are unavailable) or valuation techniques using non-observable data.

It is the policy of the Trustee and the Group to review the investment strategy at the time of each funding valuation. The Trustee's investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme investment strategy are documented in the scheme's Statement of Investment Principles.

The schemes are exposed to the following investment risks:

- **Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- **Market risk:** this comprises currency risk, interest rate risk and other price risk.
- **Currency risk**: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk**: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Longevity risk**: The liabilities are very sensitive to unexpected changes in future mortality. If longevity increases by more than assumed, then the liabilities will increase at future calculations.
- **Inflation risk:** Elements of the pensions in payment under the Scheme increase at an inflation-linked rate, albeit there are caps applying to the indexation. In addition, the rules of the Scheme require that some pensions are increased in the period up until payment commences in line with increases in inflation, again up to a certain cap.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The main investment objective for the Trustee of the schemes is to maintain a portfolio of suitable assets to meet, together with future contributions, the benefits payable under the Trust Deed and Rules as they fall due. Each scheme has exposure to investment risks because of the investments it makes to implement its investment strategy, as detailed in the Statement of Investment Principles.

The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the scheme's investment managers and are monitored by the Trustee by regular reviews of the investment portfolios.

36. Pensions (continued)

Credit risk

The schemes invest in pooled investment vehicles and are therefore directly exposed to credit risk in relation to the pooled investment vehicles and are indirectly exposed to credit risks arising on the financial instruments held by the vehicles.

The schemes' holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The investment manager carries out its own due diligence checks before a new pooled fund is invested in, and on an ongoing basis monitors any changes to the regulatory and operating environment of the underlying pooled investment managers.

Indirect credit risk arises in relation to underlying investments held in the LDI pooled investment vehicles, as well as DGF pooled investment vehicles due to the bond holdings within these funds.

The LDI funds use robust collateralisation management procedures so as to mitigate the impact of credit risk.

Market risk

Currency risk

The schemes do not take explicit unhedged positions in overseas investments through their investment strategy, either directly or indirectly via pooled investment vehicles.

The DGF managers' default position is that any investment in overseas assets is hedged back to Sterling in order to reduce currency risk. The DGF managers may from time to time take unhedged overseas investment positions in pursuit of growth opportunities or to reduce overall fund risk. Overall, however, their neutral position is considered to be 100% Sterling.

Interest rate risk

The schemes' assets are subject to indirect interest rate risk through their LDI pooled investment vehicles, as well as DGF pooled investment vehicles due to the bond holdings within these funds.

The schemes' liabilities are exposed to a significant level of interest rate movement and for this reason it is desirable for the assets to also be exposed to interest rate risk. The schemes manage interest rate risk by considering the net risk when taking account of the liabilities valued.

Other price risk

Other price risk arises principally in relation to the schemes' return seeking portfolio which includes DGFs held in pooled investment vehicles, as well as the LDI pooled investment vehicles due to the inflation sensitive elements of the fund. The scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

In addition to the above, the Countrywide scheme has mitigated risks associated with longevity risk, inflation risk and interest rate risk by securing a proportion of the Scheme's benefits for members with insurance companies.

The table below sets out the amounts which have been recognised within the Income Statement. The service costs are recognised within 'Administrative expenses', whilst the net interest expense is recognised within 'Other operating income'.

	Group		Society	
£m	2025	2024	2025	2024
Net interest expense	**(0.5)**	(0.1)	**(0.8)**	(0.4)
Total recognised in Income Statement	**(0.5)**	(0.1)	**(0.8)**	(0.4)

36. Pensions (continued)

The table below sets out the remeasurements of retirement benefit obligations which have been recognised within the Statement of Comprehensive Income:

	Group		Society	
£m	2025	2024	2025	2024
Remeasurements of retirement benefit obligations:				
Actuarial (losses) / gains arising from:				
Experience adjustments	**(0.3)**	(0.3)	**(0.2)**	-
Demographic assumptions	**(1.7)**	0.5	**(0.8)**	0.2
Financial assumptions	**2.6**	17.6	**1.4**	8.1
Return on plan assets (excluding amounts included in net interest expense)	**(19.0)**	(21.5)	**(17.9)**	(11.0)
Total amount recognised in Other Comprehensive Income	**(18.4)**	(3.7)	**(17.5)**	(2.7)

The table below sets out the Group's estimate of the aggregate contributions expected to be paid into the schemes during the year ending 31 December 2026, based on the most recent actuarial valuations:

	Group	Society
£m	2026	2026
Estimated employer contributions		
Ongoing	**3.0**	**-**
Estimated total contributions	**3.0**	**-**

In line with UK pensions legislation, a formal actuarial valuation ('triennial valuation') of the assets and liabilities of each scheme is carried out at least every three years by an independent actuary. The results of the most recent triennial valuations are set out on page 221. Following completion of the most recent actuarial valuations carried out, a new schedule of deficit contributions payable by the Group was agreed with the Trustees. The Group continues to make contributions in line with this schedule.

37. Subordinated liabilities

£m	Group & Society 2025	Group & Society 2024
Fixed rate reset notes:		
Senior non-preferred (SNP) notes due 2026	**-**	351.7
Senior non-preferred (SNP) notes due 2029	**354.1**	354.1
	354.1	705.8
Unamortised discount on issue:		
Senior non-preferred (SNP) notes due 2026	**-**	(0.2)
Senior non-preferred (SNP) notes due 2029	**(1.2)**	(1.4)
	(1.2)	(1.6)
Fair value adjustment for hedged risk	**3.1**	(14.0)
	356.0	690.2

The fixed rate reset notes are denominated in Sterling. Coupons are paid on a fixed basis semi-annually.

The subordinated liabilities listed above were issued under the Society's £2.0bn Euro Medium Term Note Programme. The £350m Senior non-preferred (SNP) notes due 2026 were called and redeemed at the optional redemption date of 2 October 2025. The £350m Senior non-preferred (SNP) notes due 2029 have a maturity date of 25 April 2029 and an optional redemption date of 25 April 2028.

The optional redemptions, at 100% of the principal amount plus accrued and unpaid interest up to (but excluding) the date of redemption, are subject to certain conditions.

The notes are junior in right of payment to all Senior Claims, pari passu with all other Senior Non-Preferred Claims, and in priority to all Subordinated Claims.

Amounts shown in the above table represent the nominal value plus accrued interest, except for 'Unamortised discount on issue' which is the difference between face values and current book values.

Senior non-preferred notes contribute to meeting the Society's MREL requirements.

38. Subscribed capital

£m	Group & Society 2025	Group & Society 2024
8.500% Sterling Permanent Interest-Bearing Shares	**15.2**	15.2
12.875% Sterling Permanent Interest-Bearing Shares	**-**	26.4
	15.2	41.6

In December 2025, the Society undertook a liability management exercise to buy back the 12.875% legacy Tier 2 eligible Permanent Interest-Bearing Shares (PIBS). The decision to redeem the PIBS resulted in a one-off charge of £27.9m recognised in the Income Statement line 'Charge on buy-back of Permanent Interest-Bearing Shares', but will save £3.2m in interest payments per year into perpetuity.

All remaining PIBS are unsecured and rank pari passu with each other. They are deferred shares of the Society and rank behind the claims against the Society of all subordinated note holders, depositors, payables and investing members of the Society. These shares are measured at amortised cost.

39. Cash flows

a) Cash flows from operating activities

i) Impairment charge / (credits) on financial instruments

For the purposes of the Statements of Cash Flows, amounts presented within the line 'Impairment charge / (credits) on financial instruments' include the following:

	Group		Society	
£m	2025	2024	2025	2024
Impairment charge / (credit) on loans and advances to customers (net of recoveries) (Note 17)	**10.1**	(17.1)	**6.0**	(17.0)
Loans and advances recovered	**0.4**	0.5	**(3.8)**	0.4
Impairment credit on liquid assets	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Impairment charge on trade receivables (Note 45c))	**1.3**	0.8	**-**	-
	11.7	(15.9)	**2.1**	(16.7)

ii) Fair value losses / (gains) on financial instruments held at FVTPL

For the purposes of the Statements of Cash Flows, amounts presented within the line 'Fair value losses / (gains) on financial instruments held at FVTPL' include the following:

	Group		Society	
£m	2025	2024	2025	2024
Fair value gains on hedging instruments and hedged items	**(0.9)**	(2.0)	**(7.0)**	(6.9)
Fair value gains on derivatives associated with the equity release portfolio	**(8.1)**	(21.9)	**(8.1)**	(21.9)
Fair value losses on equity release portfolio (Note 18)	**14.5**	12.6	**14.5**	12.6
Fair value gains on share warrants	**(5.6)**	(5.9)	**-**	-
Fair value losses on put options held by minority shareholders	**0.2**	0.3	**-**	-
Fair value gains on equity share investments at FVTPL (Note 20e))	**(0.4)**	(1.1)	**-**	-
Fair value (gains) / losses on debt securities at FVTPL	**-**	-	**(3.3)**	4.0
Fair value losses on loan to defined benefit pension scheme	**2.2**	-	**2.2**	-
	1.9	(18.0)	**(1.7)**	(12.2)

iii) Other non-cash movements

For the purposes of the Statements of Cash Flows, amounts presented within the line 'Other non-cash movements' include the following:

	Group		Society	
£m	2025	2024	2025	2024
(Profit) / loss on disposal of treasury assets	**(0.3)**	1.8	**(0.3)**	1.8
Realised losses on equity release portfolio (Note 18)	**1.3**	1.8	**1.3**	1.8
Income Statement credit for fair value of subsidiary management incentive scheme liability (Note 7)	**-**	(4.2)	**-**	--
Share of profits from joint ventures	**(2.0)**	(1.4)	**-**	-
Profit on disposal of subsidiary undertakings	**(10.8)**	-	**-**	-
Other	**3.9**	(3.0)	**(17.3)**	(6.3)
	(7.9)	(5.0)	**(16.3)**	(2.7)

39. Cash flows (continued)

b) Cash flows from investing activities

i) Other investing activities

For the purposes of the Statements of Cash Flows, amounts presented within the line 'Other investing activities' include the following:

	Group		Society	
£m	2025	2024	2025	2024
Purchase of property, plant and equipment and investment property (Notes 22, 24)	**(14.0)**	(22.0)	**(6.3)**	(10.5)
Purchase of intangible assets	**(33.8)**	(14.9)	**(4.1)**	(4.1)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	**2.0**	1.9	**0.1**	-
Dividends received from joint ventures	**-**	0.5	**-**	-
Investment in equity share investments (Note 20e))	**(1.0)**	(5.6)	**-**	-
Purchase of other business units	**(1.7)**	(1.2)	**-**	-
Proceeds on disposal of subsidiary undertakings in the year, net of cash disposed	**9.3**	-	**-**	-
Proceeds from disposal of equity share investments	**-**	0.3	**-**	-
Loan advanced to defined benefit pension scheme	**(14.6)**	-	**(14.6)**	-
Repayment of loan to defined benefit pension scheme	**1.7**	-	**1.7**	-
	(52.1)	(41.0)	**(23.2)**	(14.6)

c) Cash flows from financing activities

For the purposes of the Statements of Cash Flows, put option obligations, the subsidiary management incentive scheme, lease liabilities, subordinated liabilities and subscribed capital are classified as liabilities arising from financing activities. The tables below provide a reconciliation of movements in liabilities arising from financing activities:

	2025				
Group £m	Put option obligation	Lease liabilities	Subordinated liabilities	Subscribed capital	Total
At 1 January 2025	4.1	92.1	690.2	41.6	**828.0**
Cash flow items:					
Lease payments (excluding interest)	-	(39.3)	-	-	**(39.3)**
Interest paid	-	(4.6)	(29.1)	(5.7)	**(39.4)**
Exercise of put options by non-controlling shareholders	(4.2)	-	-	-	**(4.2)**
Redemption of subordinated liabilities	-	-	(350.0)	-	**(350.0)**
Buy-back of Permanent Interest-Bearing Shares (PIBS)	-	-	-	(52.9)	**(52.9)**
Non-cash flow items:					
Put option additions	0.1	-	-	-	**0.1**
Changes in fair values	1.0	-	17.1	-	**18.1**
Interest expense	-	4.6	27.8	4.3	**36.7**
Lease additions	-	44.7	-	-	**44.7**
Lease disposals	-	(1.9)	-	-	**(1.9)**
Lease modifications / remeasurements	-	14.7	-	-	**14.7**
Charge on buy-back of PIBS	-	-	-	27.9	**27.9**
At 31 December 2025	**1.0**	**110.3**	356.0	15.2	482.5

39. Cash flows (continued)

Group £m	2024					
	Put option obligation	Liability of subsidiary management incentive scheme	Lease liabilities	Subordinated liabilities	Subscribed capital	Total
At 1 January 2024	3.5	4.2	103.0	685.3	41.6	837.6
Cash flow items:						
Lease payments (excluding interest)	-	-	(39.3)	-	-	(39.3)
Interest paid	-	-	(3.1)	(29.0)	(4.5)	(36.6)
Non-cash flow items:						
Changes in fair values	0.6	0.3	-	4.3	-	5.2
Interest expense	-	-	3.1	29.6	4.5	37.2
Lease additions	-	-	18.1	-	-	18.1
Lease disposals	-	-	(0.9)	-	-	(0.9)
Lease modifications / remeasurements	-	-	11.2	-	-	11.2
Release of liability	-	(4.5)	-	-	-	(4.5)
At 31 December 2024	4.1	-	92.1	690.2	41.6	828.0

Society £m	2025			
	Lease liabilities	Subordinated liabilities	Subscribed capital	Total
At 1 January 2025	**8.6**	**690.2**	**41.6**	**740.4**
Cash flow items:				
Lease payments (excluding interest)	**(2.1)**	**-**	**-**	**(2.1)**
Interest paid	**(0.3)**	**(29.1)**	**(5.7)**	**(35.1)**
Redemption of subordinated liabilities	**-**	**(350.0)**	**-**	**(350.0)**
Buy-back of Permanent Interest-Bearing Shares (PIBS)	**-**	**-**	**(52.9)**	**(52.9)**
Non-cash flow items:				
Changes in fair values	**-**	**17.1**	**-**	**17.1**
Interest expense	**0.3**	**27.8**	**4.3**	**32.4**
Lease additions	**1.7**	**-**	**-**	**1.7**
Charge on buy-back of PIBS	**-**	**-**	**27.9**	**27.9**
At 31 December 2025	**8.2**	**356.0**	**15.2**	**379.4**

39. Cash flows (continued)

Society £m	2024 Lease liabilities	Subordinated liabilities	Subscribed capital	Total
At 1 January 2024	10.3	685.3	41.6	737.2
Cash flow items:				
Lease payments (excluding interest)	(2.4)	-	-	(2.4)
Interest paid	(0.3)	(29.0)	(4.5)	(33.8)
Non-cash flow items:				
Changes in fair values	-	4.3	-	4.3
Interest expense	0.3	29.6	4.5	34.4
Lease additions	0.7	-	-	0.7
Lease disposals	(0.1)	-	-	(0.1)
Other	0.1	-	-	0.1
At 31 December 2024	8.6	690.2	41.6	740.4

40. Tax effects relating to each component of other comprehensive income

Group £m	2025 Before-tax amount	Tax (expense) / benefit	Net-of-tax amount	2024 Before-tax amount	Tax benefit / (expense)	Net-of-tax amount
Financial assets held at FVOCI	**6.0**	**(1.7)**	**4.3**	(1.7)	0.6	(1.1)
Cash flow hedges	**(9.4)**	**2.6**	**(6.8)**	16.3	(4.6)	11.7
Cost of hedging reserve	**1.4**	**(0.4)**	**1.0**	(1.2)	0.3	(0.9)
Remeasurements of defined benefit obligations	**(18.4)**	**5.1**	**(13.3)**	(3.7)	1.0	(2.7)
Translation of foreign operations	**(0.4)**	**-**	**(0.4)**	(1.4)	-	(1.4)
Other comprehensive income	**(20.8)**	**5.6**	**(15.2)**	8.3	(2.7)	5.6

Society £m	2025 Before-tax amount	Tax (expense) / benefit	Net-of-tax amount	2024 Before-tax amount	Tax benefit / (expense)	Net-of-tax amount
Financial assets held at FVOCI	**6.0**	**(1.7)**	**4.3**	(1.8)	0.5	(1.3)
Cash flow hedges	**11.5**	**(3.2)**	**8.3**	10.7	(3.0)	7.7
Cost of hedging reserve	**0.1**	**-**	**0.1**	-	-	-
Remeasurements of defined benefit obligations	**(17.5)**	**4.9**	**(12.6)**	(2.7)	0.8	(1.9)
Other comprehensive income	**0.1**	**-**	**0.1**	6.2	(1.7)	4.5

41. Other financial commitments and contingent liabilities

The Society has confirmed it will provide continuing support to its subsidiary undertakings that have net liabilities or which rely on it for ongoing funding.

SIL continues to undertake a review exercise following feedback from the Guernsey Financial Services Commission (GFSC) in 2023 as part of the latter's PRISM (Probability Risk and Impact SysteM) approach to supervision. As at 31 December 2025, SIL has assessed that it is probable that further costs may be incurred in relation to this matter. However, at this stage, it is not possible to make a reliable estimate of the amount or timing of any cost. Accordingly, no provision has been recognised in the financial statements.

42. Derivative financial instruments

The Group uses derivative financial instruments (derivatives) to manage the risks arising from its operations.

The Board has authorised the use of derivatives by the Group to reduce the risk of loss arising from changes in market risks in accordance with Section 9A(4) of the Building Societies Act 1986 and derivatives are used by the Group for economic hedging purposes only. The Group does not run a trading book.

The principal derivatives used by the Group are interest rate swaps, index swaps and cross currency swaps that are used to hedge Group exposures arising from fixed rate lending and savings products, funding and investment activities. The accounting policies for derivatives are described in Note 1f) to the Accounts.

For the purpose of assessing hedge effectiveness, the Group determines the economic relationship between the hedged item and the hedging instrument by comparing the terms of each item, including reference rate, notional amount and maturity.

Risk management strategy

The Group has a formal structure for managing risk, including established risk limits, reporting requirements, mandates and other control procedures. This structure is reviewed regularly by the Asset & Liability Committee (ALCO).

Interest rate risk

The main market risk faced by the Group is interest rate risk. Interest rate risk is the risk that the fair values of financial assets or financial liabilities, or future cash flows receivable or payable on financial assets or financial liabilities, fluctuate as a result of changes in market interest rates.

Interest rate risk predominantly arises on the fixed rate mortgages and savings products offered by the Group. Further detail on the Group's exposure to interest rate risk is found in Note 44.

The Group uses the following derivatives to hedge its exposure to interest rate risk:

Fair value hedges of interest rate risk

Portfolio hedging

The Group manages the interest rate risk arising from fixed rate mortgages and savings by entering into swaps on a frequent basis. The level of exposure from the mortgage portfolio frequently changes due to new loans being originated, contractual customer repayments and early customer repayments. As a result, the Group adopts a dynamic hedging strategy to hedge the interest rate risk component within the exposure profile by entering into new swap agreements each month. The Group uses a portfolio of fair value hedges of interest rate risk to recognise fair value changes related to changes in interest rate risk on fixed rate mortgages and savings products, to therefore reduce the profit or loss volatility that would otherwise occur from changes in the fair value of the interest rate swaps alone.

The hedge relationship is reassessed prospectively each month in order that the hedging ratio is recalibrated to be close to 100%, thereby reducing hedge ineffectiveness. The hedging ratio is the level of hedged items designated in the portfolio against hedging instruments, taking into consideration the maturities of the hedge.

Occasionally hedge ineffectiveness can arise, i.e. the derivative fails to hedge the interest rate risk to the extent that is expected. The Group assesses hedge ineffectiveness on an ongoing basis. Where the Group assesses that the hedge relationship has changed to such an extent that the existing hedge ratio is no longer suitable, the hedging relationship would be rebalanced to ensure hedge effectiveness.

The main sources of ineffectiveness in fair value hedges of interest rate risk are:

- Differences between the expected and actual volume of customer prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience;
- Differences in the timing of cash flows from the mortgage loans and the interest rate swaps; and
- Differences in the maturities of the interest rate swap and the mortgage loans.

42. Derivative financial instruments (continued)

Micro hedging

Fair value hedge relationships are also designated for hedging the interest rate risk component arising from the Group's liquidity portfolio, Medium Term Note (MTN) liabilities and wholesale deposits. For these items, a hedge is taken out specifically for the individual asset or liability, and therefore critical terms of the hedged item and hedging instrument match. Where critical terms match, the fair value adjustment on the hedged item offsets exactly the change in fair value of the hedging instrument.

The Group assesses all of its micro fair value hedges of interest rate risk to have a hedge effectiveness ratio of 100%, as all derivatives hedge an amount of underlying instrument equal to the notional amount.

Hedge ineffectiveness could potentially arise if critical terms do not exactly match, amendments were made to either the hedged item or the hedging instrument, or if there were significant changes in the credit rating of the hedged item or hedging instrument's counterparties; the Group has assessed the likelihood of this to be low.

Cash flow hedges of interest rate risk

The Group also has exposure to interest rate risk arising from its free reserves portfolio, which is composed of reserves held in excess of required reserves. The Group uses derivatives to hedge this risk component and accounts for these derivatives as cash flow hedges against variable rate instruments. The aim of cash flow hedging is to reduce the exposure to variability in cash flows arising from a financial asset or liability. The variable rate on the hedging instrument, i.e. the swap, offsets the hedged items, which are SONIA-linked financial assets or liabilities.

Hedge ineffectiveness for cash flow hedges is assessed using the 'hypothetical derivative' method and ineffectiveness has been assessed as £nil (2024: £nil) for the Group's cash flow hedges.

Hedge ineffectiveness could potentially arise if amendments were made to either the hedged item or the hedging instrument, or if there were significant changes in the credit rating of the hedged item or hedging instrument's counterparties; the Group has assessed the likelihood of this to be low.

Currency risk

Fair value hedges of currency risk

The Group has entered into two (2024: one) cross-currency swap agreements to hedge the foreign currency risk and interest rate risk components arising from: the Society's Euro covered bond issuances: and loans to overseas subsidiaries.

Currency risk on covered bond issuances

Fixed rate Euro-denominated receipts are swapped to floating rate Sterling payments through these derivatives. The derivative is entered into by the LLP, with the hedged item being the term advance from the Society to the LLP, which mirrors the bond issued by the Society, effectively hedging the debt issued by the Society. Foreign currency basis spread is priced into the derivative but is excluded from the hedging relationship and any gain or loss arising from this is recognised directly in reserves in the cost of hedging reserve, as permitted by IFRS 9.

Currency risk on loans to overseas subsidiaries

Fixed rate receipts from the subsidiary are denominated in New Zealand dollars, these are swapped to sterling through this derivative. The derivative is entered into by the Society, with the hedged item being the intragroup loan to the subsidiary. Foreign currency basis spread is priced into the derivative but is excluded from the hedging relationship and any gain or loss arising from this is recognised directly in reserves in the cost of hedging reserve, as permitted by IFRS 9. The society receives 90% of the interest cash flows from the subsidiary with the remainder reclaimed from NZ Tax Authority due to double taxation treaties with New Zealand. As a result, only 90% of the cash flows on the hedged item is included in the hedge accounting relationship, resulting in some ineffectiveness in the income statement.

Equity release portfolio

In addition to the above, the Group holds derivative financial instruments to economically hedge the equity release portfolio which do not qualify as being in a designated hedging relationship for accounting purposes. As the derivatives held to hedge the equity release portfolio are not in a hedge accounting relationship, they are not included in the tables on pages 235 to 239. Further information on the derivatives held to hedge this portfolio can be found in Note 18.

42. Derivative financial instruments (continued)

Other derivatives not held in an accounting hedge

Certain other derivatives cannot be accounted for in a fair value or cash flow hedge as the economic hedging relationship does not meet the criteria set out by IFRS 9. These derivatives are held at FVTPL and their change in fair value is included within the Income Statement line 'Fair value gains on financial instruments mandatorily held at FVTPL'.

Hedging instruments

The following tables set out the maturity profile and average price and rate of the hedging instruments used in the Group's and Society's hedge accounting strategies.

	2025				2024			
Group	Up to 3 months	3 - 12 months	1 – 5 years	Over 5 years	Up to 3 Months	3 - 12 months	1 – 5 years	Over 5 years
Cash flow hedges								
Interest rate swaps								
Notional (£m)	**-**	**-**	**2,152.0**	**760.0**	-	-	2,291.5	571.5
Weighted average fixed interest rate (%)	**-**	**-**	**3.6%**	**3.7%**	-	-	3.8%	3.8%
Fair value hedges								
Interest rate swaps								
Notional (£m)	**3,376.3**	**11,414.5**	**20,293.2**	**1,087.3**	3,988.3	13,699.0	16,872.2	1,538.5
Weighted average fixed interest rate (%)	**3.9%**	**3.3%**	**3.6%**	**3.1%**	4.3%	3.7%	3.2%	3.2%
Cross currency swaps								
Notional (£m)	**-**	**-**	**431.9**	**-**	-	-	421.3	-
Weighted average fixed interest rate (%)	**-**	**-**	**3.3%**	**-**	-	-	3.3%	-

	2025				2024			
Society	Up to 3 months	3 - 12 months	1 – 5 years	Over 5 years	Up to 3 months	3 - 12 months	1 – 5 years	Over 5 years
Cash flow hedges								
Interest rate swaps								
Notional (£m)	**40.2**	**325.0**	**2,936.3**	**776.7**	23.0	145.0	3,214.3	571.5
Weighted average fixed interest rate (%)	**1.9%**	**2.6%**	**3.6%**	**3.7%**	3.6%	2.6%	3.6%	3.8%
Fair value hedges								
Interest rate swaps								
Notional (£m)	**3,416.8**	**11,530.8**	**20,695.2**	**1,087.3**	4,110.7	13,813.2	17,205.5	1,538.5
Weighted average fixed interest rate (%)	**3.9%**	**3.3%**	**3.6%**	**3.1%**	4.2%	3.6%	3.1%	3.2%
Cross currency swaps								
Notional (£m)	**-**	**-**	**10.7**	**-**	-	-	-	-
Weighted average fixed interest rate (%)	**-**	**-**	**5.9%**	**-**	-	-	-	-

42. Derivative financial instruments (continued)

The tables below provide further detail on the Group's and Society's fair value hedges used in hedge accounting relationships:

£m	Carrying amount (note A)			Change in fair value (charge) / credit (note B)	Hedge ineffectiveness (credit) / charge (note C)
	Notional	Assets	Liabilities		
2025 Group					
Interest rate swaps	**36,171.3**	**296.4**	**(150.6)**	**(380.3)**	**(2.1)**
Cross currency swaps	**431.9**	**29.0**	**-**	**19.3[D]**	**0.1**
2025 Society					
Interest rate swaps	**36,730.1**	**298.7**	**(161.4)**	**(366.2)**	**(2.1)**
Cross currency swaps	**10.7**	**0.2**	**-**	**0.2[D]**	**-**
2024 Group					
Interest rate swaps	36,068.0	697.4	(171.3)	(124.0)	5.7
Cross currency swaps	421.3	8.3	-	33.1[D]	(0.8)
2024 Society					
Interest rate swaps	36,667.9	699.0	(195.5)	(105.1)	6.3

Notes

A. The Statement of Financial Position lines that include these items are 'Derivative financial instruments'.

B. The change in fair value during the period that was used as the basis for calculating hedge ineffectiveness and which was recognised in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'.

C. The amount of hedge ineffectiveness recognised in the Income Statement during the year. The Income Statement line that includes the hedge ineffectiveness recognised during the period is 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'.

D. In addition, £1.4m of fair value gains (2024: £1.2m losses) for the Group, and £0.1m of fair value gains (2024: £nil) for the Society, were recognised directly in the cost of hedging reserve of the Group and Society respectively, due to ineffectiveness arising as a result of foreign currency basis spread as described in Note 1f).

The tables below provide further detail on the Group's and Society's cash flow hedges used in hedge accounting relationships.

£m	Carrying amount (note A)			Change in fair value (charge) / credit (note B)	Losses reclassified from OCI to Income Statement
	Notional	Assets	Liabilities		
2025 Group					
Interest rate swaps	**2,912.0**	**4.0**	**(22.1)**	**(13.5)**	**(6.0)**
2025 Society					
Interest rate swaps	**4,078.2**	**10.6**	**(30.2)**	**15.7**	**(6.0)**
2024 Group					
Interest rate swaps	2,863.0	17.5	(22.1)	52.8	45.9
2024 Society					
Interest rate swaps	3,953.8	20.1	(55.4)	47.0	45.9

Notes

A. The Statement of Financial Position lines that include these items are 'Derivative financial instruments'.

B. The change in fair value during the period that was used as the basis for calculating hedge ineffectiveness and is recognised within the 'Cash flow hedging reserve: (Losses) / gains taken to equity' line of the Statement of Comprehensive Income.

There was no hedge ineffectiveness recognised during either 2025 or 2024 in respect of the Group or Society's cashflow hedges.

42. Derivative financial instruments (continued)

Hedged items

The tables below provide further detail on the Group's and Society's hedged items:

2025	Carrying amount					
Group £m	Assets	Liabilities	Fair value adjustment on hedged item (note A)	SoFP line	Change in fair value credit (note B)	Amount remaining on items de-designated from hedge relationship (note C)
Cash flow hedges						
Floating rate assets	**670.5**	**-**	**n/a**	note D	**n/a**	**32.5**
Floating rate liabilities	**-**	**2,241.5**	**n/a**	note E	**n/a**	**(2.0)**
Fair value hedges						
Fixed rate mortgages	**21,024.8**	**-**	**58.9**	note F	**333.5**	**-**
Debt securities	**2,049.9**	**-**	**(36.0)**	note D	**43.2**	**-**
Fixed rate savings	**-**	**11,617.6**	**56.5**	note G	**58.3**	**-**
Covered bonds	**-**	**442.7**	**22.3**	note E	**18.6**	**-**
Due from Group companies	**-**	**-**	**(0.1)**	note I	**(0.1)**	**-**
Subordinated liabilities	**-**	**354.1**	**3.1**	note H	**17.1**	**-**

2024	Carrying amount					
Group £m	Assets	Liabilities	Fair value adjustment on hedged item (note A)	SoFP line	Change in fair value credit / (charge) (note B)	Amount remaining on items de-designated from hedge relationship (note C)
Cash flow hedges						
Floating rate assets	1,667.3	-	n/a	note D	n/a	37.6
Floating rate liabilities	-	1,195.7	n/a	note E	n/a	(10.0)
Fair value hedges						
Fixed rate mortgages	21,210.0	-	(274.6)	note F	76.3	-
Debt securities	2,206.9	-	(79.2)	note D	(26.9)	-
Fixed rate savings	-	12,445.7	(1.8)	note G	1.5	-
Covered bonds	-	418.6	3.7	note E	26.5	-
Subordinated liabilities	-	705.8	(14.0)	note H	4.2	-

42. Derivative financial instruments (continued)

2025	Carrying amount		Fair value adjustment on hedged item (note A)	SoFP line	Change in fair value credit / (charge) (note B)	Amount remaining on items de-designated from hedge relationship (note C)
Society £m	Assets	Liabilities				
Cash flow hedges						
Floating rate assets	**1,597.8**		**n/a**	note D	**n/a**	**32.5**
Floating rate liabilities		**2,480.4**	**n/a**	note E	**n/a**	**(4.2)**
Fair value hedges						
Fixed rate mortgages	**21,024.8**	**-**	**60.9**	note F	**332.6**	**-**
Debt securities	**2,049.9**	**-**	**(36.1)**	note D	**43.2**	**-**
Fixed rate savings	**-**	**12,176.4**	**54.5**	note G	**70.7**	**-**
Due from Group companies	**10.7**	**-**	**(0.1)**	note I	**(0.1)**	**-**
Subordinated liabilities	**-**	**354.1**	**3.1**	note H	**17.1**	**-**

2024	Carrying amount		Fair value adjustment on hedged item (note A)	SoFP line	Change in fair value credit / (charge) (note B)	Amount remaining on items de-designated from hedge relationship (note C)
Society £m	Assets	Liabilities				
Cash flow hedges						
Floating rate assets	1,775.3	-	n/a	note D	n/a	37.6
Floating rate liabilities	-	2,178.5	n/a	note E	n/a	(10.1)
Fair value hedges						
Fixed rate mortgages	21,325.2	-	(271.7)	note F	75.7	-
Debt securities	2,206.9	-	(79.3)	note D	(26.9)	-
Fixed rate savings	-	12,930.5	(16.2)	note G	14.6	-
Subordinated liabilities	-	705.8	(14.0)	note H	4.2	-

Notes

A. Fair value adjustments on hedged items are included within the Statement of Financial Position (SoFP) as adjustments to the relevant SoFP line; see below notes for details.

B. The change in fair value during the period that is used as the basis for calculating hedge ineffectiveness and is recognised within the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'; as presented within Note 5 line 'Hedging instruments and hedged items'.

C. The accumulated amount of fair value hedge adjustments remaining (in the cash flow hedging reserve for cash flow hedges) for any hedged items that have ceased to be adjusted for hedging gains and losses.

D. The SoFP lines that include these items are 'Debt securities' and 'Investments in subsidiary undertakings and joint ventures'.

E. The SoFP line that includes these items is 'Debt securities in issue'.

F. The SoFP line that includes these items is 'Loans and advances to customers held at amortised cost'.

G. The SoFP lines that include these items are 'Shares' (Group and Society) and 'Amounts owed to other customers' (Group only).

H. The SoFP line that includes these items is 'Subordinated liabilities'.

I. The SoFP line that includes these items is 'Investments in subsidiary undertakings and joint ventures'.

42. Derivative financial instruments (continued)

£m	Carrying amount			Change in fair value recognised in OCI: credit / (charge) (note A)	Amount reclassified from OCI to Income Statement
	Notional	Assets	Liabilities		
2025 Group					
Cross currency swaps	**431.9**	**29.0**	**-**	**1.4**	**-**
2025 Society					
Cross currency swaps	**10.7**	**0.2**	**-**	**0.1**	**-**
2024 Group					
Cross currency swaps	421.3	8.4	-	(1.2)	-

Note

A. The change in fair value during the period is recognised within the 'Cash flow hedging reserve: (Losses) / gains taken to equity' line of the Statement of Comprehensive Income.

Group £m	2025			2024		
	Cash flow hedging reserve	Cost of hedging reserve	Total	Cash flow hedging reserve	Cost of hedging reserve	Total
Balance at 1 January	16.6	(1.4)	**15.2**	4.9	(0.5)	4.4
Change in fair value of derivatives in effective hedging relationships:						
Held to hedge interest rate risk	(6.3)	1.4	**(4.9)**	6.3	(1.2)	5.1
Net amounts reclassified to profit or loss from derivatives:						
Held to hedge interest rate risk	(3.1)	-	**(3.1)**	10.0	-	10.0
Tax on movements in reserves during the year	2.6	(0.4)	**2.2**	(4.6)	0.3	(4.3)
Balance at 31 December	**9.8**	**(0.4)**	**9.4**	16.6	(1.4)	15.2

Society £m	2025			2024		
	Cash flow hedging reserve	Cost of hedging reserve	Total	Cash flow hedging reserve	Cost of hedging reserve	Total
Balance at 1 January	1.3	-	**1.3**	(6.4)	-	(6.4)
Change in fair value of derivatives in effective hedging relationships:						
Held to hedge interest rate risk	16.7	0.1	**16.8**	0.9	-	0.9
Net amounts reclassified to profit or loss from derivatives:						
Held to hedge interest rate risk	(5.2)	-	**(5.2)**	9.8	-	9.8
Tax on movements in reserves during the year	(3.2)	-	**(3.2)**	(3.0)	-	(3.0)
Balance at 31 December	**9.6**	**0.1**	**9.7**	1.3	-	1.3

43. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current and future financial obligations as they fall due, or is only able to do so at excessive cost. It is an inherent part of the Group's business as long-term mortgages are funded mainly by shorter term retail customer balances. Mortgages can have a contractual maturity date of, for example, 25 years but in practice are frequently repaid early; conversely retail deposits, nominally repayable on demand or with short notice periods, frequently remain with the Group beyond their contractual notice. It is this mismatch in the maturity profiles of retail assets and liabilities that creates liquidity risk.

The Group's liquidity policy is designed to ensure the maintenance of sufficient liquid assets to cover statutory, regulatory and operational requirements. This is achieved through maintaining a sufficient level of liquid assets in realisable form to ensure the Group is able to meet its liabilities as they arise and to absorb potential cash flow requirements created by the maturity mismatches referred to above or by a liquidity stress scenario. ALCO manages liquidity under delegated authority, within risk appetite limits established by the Board, and also monitors the composition of liquidity in line with risk management objectives.

The Group's liquidity is managed as follows:

- the Board establishes limits over the quantity and quality of the Group's portfolio of liquid assets. The portfolio is monitored and managed by the Treasury function and overseen by ALCO under a series of delegated authorities;
- the Treasury function conducts a series of weekly and monthly stress tests that are designed to ensure that the Group's liquidity is sufficient to meet its cash flow needs under any one of a number of adverse scenarios should they arise. The scenarios include both Group specific and general market events, and incorporate both severe retail savings outflows and the unavailability of wholesale funding; and
- under the Regulatory liquidity regime, the Group is required to hold highly liquid assets (such as government and supranational debt securities and cash) to satisfy the Liquidity Coverage Ratio (LCR).

There are two measures that the Group considers key to monitoring its liquidity position:

- LCR – which analyses the amount of high quality liquidity that it is necessary to hold to survive a 30 day regulatory stress scenario; and
- liquidity stress tests – whereby, as noted above, the Group models how far its liquid asset holdings would fall under a number of different stress scenarios.

The tables below analyse the carrying value of financial assets and financial liabilities into relevant maturity groupings based on the remaining maturity period at the reporting date to the contractual maturity. In practice, customer deposits, i.e. shares, amounts owed to credit institutions and amounts owed to other customers, are likely to be repaid later than on the earliest date on which repayment can be required.

43. Liquidity risk (continued)

Group £m	2025						
	Repayable on demand	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	No specified maturity	Total
Assets							
Cash in hand and balances with the Bank of England	1,360.2	-	-	-	-	-	**1,360.2**
Loans and advances to credit institutions	88.8	-	-	-	-	264.5	**353.3**
Debt securities	-	809.4	253.6	2,536.5	669.9	-	**4,269.4**
Derivative financial instruments	-	17.3	75.6	179.9	78.0	-	**350.8**
Loans and advances to customers held at amortised cost	196.6	27.1	77.4	994.5	32,083.3	-	**33,378.9**
Loans and advances to customers held at FVTPL	0.8	-	-	-	-	-	**0.8**
Equity release portfolio at FVTPL	-	6.3	18.6	76.4	161.8	-	**263.1**
Equity share investments at FVTPL	-	-	-	-	-	18.3	**18.3**
Trade receivables	31.0	42.6	-	-	-	-	**73.6**
Total financial assets	**1,677.4**	**902.7**	**425.2**	**3,787.3**	**32,993.0**	**282.8**	**40,068.4**
Liabilities							
Shares	13,614.8	2,843.4	8,787.9	5,193.4	86.8	-	**30,526.3**
Amounts owed to credit institutions	9.7	167.9	6.4	-	-	143.2	**327.2**
Amounts owed to other customers	820.3	559.9	1,229.5	109.9	-	-	**2,719.6**
Debt securities in issue	-	0.5	-	3,361.4	-	-	**3,361.9**
Derivative financial instruments	-	5.6	27.5	138.6	14.5	-	**186.2**
Lease liabilities	-	7.9	21.9	64.8	15.7	-	**110.3**
Trade payables	-	14.4	-	-	-	-	**14.4**
Fair value of put option obligation	-	-	0.7	0.3	-	-	**1.0**
Subordinated liabilities	-	-	-	356.0	-	-	**356.0**
Subscribed capital	-	-	-	-	-	15.2	**15.2**
Total financial liabilities	**14,444.8**	**3,599.6**	**10,073.9**	**9,224.4**	**117.0**	**158.4**	**37,618.1**
Net liquidity gap	**(12,767.4)**	**(2,696.9)**	**(9,648.7)**	**(5,437.1)**	**32,876.0**	**124.4**	**2,450.3**

43. Liquidity risk (continued)

Group £m	2024 (restated*)						
	Repayable on demand	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	No specified maturity	Total
Assets							
Cash in hand and balances with the Bank of England	1,930.6	-	-	-	-	-	**1,930.6**
Loans and advances to credit institutions	121.5	1.6	1.0	-	-	290.5	**414.6**
Debt securities	-	492.9	826.3	2,222.1	808.3	-	**4,349.6**
Derivative financial instruments	-	25.2	99.2	513.0	114.7	-	**752.1**
Loans and advances to customers held at amortised cost	188.4	28.9	55.5	942.8	29,385.5	-	**30,601.1**
Loans and advances to customers held at FVTPL	0.9	-	-	-	-	-	**0.9**
Equity release portfolio at FVTPL	-	6.6	19.2	70.1	181.3	-	**277.2**
Equity share investments at FVTPL	-	-	-	-	-	16.9	**16.9**
Trade receivables	30.5	38.3	-	-	-	-	**68.9**
Share warrants	21.9	-	-	-	-	-	**21.9**
Other assets	-	-	-	-	-	0.1	**0.1**
Total financial assets	**2,293.8**	**593.5**	**1,001.2**	**3,748.0**	**30,489.8**	**307.5**	**38,433.8**
Liabilities							
Shares	11,415.2	3,715.1	9,162.4	3,889.0	86.8	-	**28,268.5**
Amounts owed to credit institutions	19.0	6.1	1,017.2	-	-	557.3	**1,599.6**
Amounts owed to other customers	895.9	715.4	1,018.2	121.6	-	-	**2,751.1**
Debt securities in issue	-	5.9	-	2,429.4	-	-	**2,435.3**
Derivative financial instruments	-	14.3	60.7	115.3	34.8	-	**225.1**
Lease liabilities	-	7.1	19.5	52.2	13.3	-	**92.1**
Trade payables	-	11.0	-	-	-	-	**11.0**
Fair value of put option obligation	-	-	3.8	0.3	-	-	**4.1**
Subordinated liabilities	-	-	-	340.0	350.2	-	**690.2**
Subscribed capital	-	-	-	-	-	41.6	**41.6**
Total financial liabilities	**12,330.1**	**4,474.9**	**11,281.8**	**6,947.8**	**485.1**	**598.9**	**36,118.6**
Net liquidity gap	**(10,036.3)**	**(3,881.4)**	**(10,280.6)**	**(3,199.8)**	**30,004.7**	**(291.4)**	**2,315.2**

* The information shown above for the year ended 31 December 2024 is restated to reflect the appropriate presentation of financial liabilities, specifically in relation to Debt securities in issue (see Note 1c) for details).

43. Liquidity risk (continued)

Society £m	2025						
	Repayable on demand	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	No specified maturity	Total
Assets							
Cash in hand and balances with the Bank of England	1,360.2	-	-	-	-	-	**1,360.2**
Loans and advances to credit Institutions	31.2	-	-	-	-	273.5	**304.7**
Debt securities	-	593.1	253.6	2,758.8	669.9	-	**4,275.4**
Derivative financial Instruments	-	17.4	75.9	159.3	80.5	-	**333.1**
Loans and advances to customers held at amortised cost	3.0	26.8	75.5	988.0	30,028.0	-	**31,121.3**
Loans and advances to customers held at FVTPL	0.8	-	-	-	-	-	**0.8**
Equity release portfolio at FVTPL	-	6.3	18.6	76.4	161.8	-	**263.1**
Loans to subsidiary undertakings	454.7	-	-	-	-	-	**454.7**
Trade receivables	1.5	-	-	-	-	-	**1.5**
Total financial assets	**1,851.4**	**643.6**	**423.6**	**3,982.5**	**30,940.2**	**273.5**	**38,114.8**
Liabilities							
Shares	13,614.8	2,843.4	8,787.9	5,193.4	84.8	-	**30,524.3**
Amounts owed to credit institutions	9.7	353.8	6.4	-	-	143.2	**513.1**
Amounts owed to other customers	508.3	32.4	14.3	616.9	-	-	**1,171.9**
Debt securities in issue	-	-	-	2,955.0	-	-	**2,955.0**
Derivative financial instruments	-	8.2	34.1	148.2	14.5	-	**205.0**
Lease liabilities	-	0.5	1.4	5.2	1.1	-	**8.2**
Trade payables	-	3.4	-	-	-	-	**3.4**
Subordinated liabilities	-	-	-	356.0	-	-	**356.0**
Subscribed capital	-	-	-	-	-	15.2	**15.2**
Total financial liabilities	**14,132.8**	**3,241.7**	**8,844.1**	**9,274.7**	**100.4**	**158.4**	**35,752.1**
Net liquidity gap	**(12,281.4)**	**(2,598.1)**	**(8,420.5)**	**(5,292.2)**	**30,839.8**	**115.1**	**2,362.7**

43. Liquidity risk (continued)

Society £m	2024 (restated*)						
	Repayable on demand	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	No specified maturity	Total
Assets							
Cash in hand and balances with the Bank of England	1,930.6	-	-	-	-	-	**1,930.6**
Loans and advances to credit Institutions	54.0	-	1.0	-	-	342.8	**397.8**
Debt securities	-	273.9	768.5	2,489.4	808.3	-	**4,340.1**
Derivative financial Instruments	-	25.5	99.5	507.7	110.3	-	**743.0**
Loans and advances to customers held at amortised cost	3.2	28.9	53.8	905.6	27,343.4	-	**28,334.9**
Loans and advances to customers held at FVTPL	0.9	-	-	-	-	-	**0.9**
Equity release portfolio at FVTPL	-	6.6	19.2	70.1	181.3	-	**277.2**
Loans to subsidiary undertakings	403.9	-	-	-	-	-	**403.9**
Trade receivables	1.9	-	-	-	-	-	**1.9**
Total financial assets	**2,394.5**	**334.9**	**942.0**	**3,972.8**	**28,443.3**	**342.8**	**36,430.3**
Liabilities							
Shares	11,415.2	3,715.1	9,162.4	3,889.0	72.4	-	**28,254.1**
Amounts owed to credit institutions	19.0	207.1	1,017.2	-	-	557.3	**1,800.6**
Amounts owed to other customers	470.4	49.9	-	748.6	-	-	**1,268.9**
Debt securities in issue	-	5.1	-	1,925.0	-	-	**1,930.1**
Derivative financial instruments	-	17.7	67.1	162.6	34.8	-	**282.2**
Lease liabilities	-	0.5	1.5	5.2	1.4	-	**8.6**
Trade payables	-	2.8	-	-	-	-	**2.8**
Subordinated liabilities	-	-	-	340.0	350.2	-	**690.2**
Subscribed capital	-	-	-	-	-	41.6	**41.6**
Total financial liabilities	**11,904.6**	**3,998.2**	**10,248.2**	**7,070.4**	**458.8**	**598.9**	**34,279.1**
Net liquidity gap	**(9,510.1)**	**(3,663.3)**	**(9,306.2)**	**(3,097.6)**	**27,984.5**	**(256.1)**	**2,151.2**

* The information shown above for the year ended 31 December 2024 is restated to reflect the appropriate presentation of financial liabilities, specifically in relation to Debt securities in issue (see Note 1c) for details).

With respect to loans and advances to customers presented within the tables above, each outstanding loan balance is allocated in full to a single maturity grouping according to that loan's contractual maturity date (regardless of any scheduled repayments that may be receivable prior to the contractual maturity date). Loans and advances to customers presented as repayable on demand represent those loans and advances that are on call and at short notice.

With respect to the equity release portfolio, contractual maturity arises in the event of the borrower's voluntary redemption, death or move to long-term care. For the purposes of the tables above, amounts have been allocated to maturity groupings based on the anticipated redemption profiles applied in the Group's equity release portfolio valuation model (see Note 1f) and Note 1v) for further details).

Group debt securities in issue include £398.3m (2024: £491.6m) of funding obtained through the Group's securitisation issuances carried out through Darrowby No. 6 plc. The final maturity dates of the securitisation notes are significantly out into the future however the Group can exercise a call option to repurchase the outstanding Darrowby No. 6 notes at a date within the next five years. As a result, all such amounts have been shown within 1 to 5 years in the tables above.

43. Liquidity risk (continued)

The following table is an analysis of undiscounted gross contractual cash flows payable on financial liabilities:

	2025				
Group £m	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Shares	16,471.6	9,003.6	5,592.3	87.9	**31,155.4**
Amounts owed to credit institutions, other customers and debt securities in issue	1,382.3	1,752.0	3,634.3	-	**6,768.6**
Derivative financial instruments	8.9	51.9	132.0	0.1	**192.9**
Lease liabilities	8.4	27.8	73.4	23.2	**132.8**
Trade payables	14.4	-	-	-	**14.4**
Fair value of put option obligation	-	0.7	0.4	-	**1.1**
Subordinated liabilities	-	21.9	393.8	-	**415.7**
Subscribed capital	-	1.3	5.1	*note A*	**6.4**
Total	**17,885.6**	**10,859.2**	**9,831.3**	**111.2**	**38,687.3**

	2024				
Group £m	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Shares	15,148.0	9,408.1	4,148.1	86.8	**28,791.0**
Amounts owed to credit institutions, other customers and debt securities in issue	1,552.1	3,057.5	2,569.6	-	**7,179.2**
Derivative financial instruments	20.9	98.8	104.1	11.9	**235.7**
Lease liabilities	7.5	25.2	58.7	20.8	**112.2**
Trade payables	11.0	-	-	-	**11.0**
Fair value of put option obligation	-	3.9	0.4	-	**4.3**
Subordinated liabilities	-	28.9	769.1	-	**798.0**
Subscribed capital	1.6	2.9	18.0	*note A*	**22.5**
Total	**16,741.1**	**12,625.3**	**7,668.0**	**119.5**	**37,153.9**

Note

A. With respect to subscribed capital, gross contractual cash flows represent interest payable on the Group's Permanent Interest-Bearing Shares (PIBS) (see Note 38). Following buy-back of the 12.875% legacy Tier 2 eligible PIBS in the year, as described in Note 38, the undiscounted gross interest payable each year by the Group going forwards is £1.3m per annum (2024: £4.5m per annum). As the PIBS have no specified contractual maturity (as shown on pages 241 and 242), it is not possible to calculate the total amount of undiscounted gross interest that is payable beyond 5 years (i.e. into perpetuity). Also, as the PIBS have no specified contractual maturity, the amounts shown in the tables above do not anticipate any future repurchase of the PIBS by the Group.

The undiscounted gross contractual cash flows of debt securities in issue that have been issued as securitisation funding in the tables above have been calculated on the assumption that the call options referred to on page 244 are exercised.

The Group has off-balance sheet exposure from commitments to lend where a mortgage has been offered but not yet completed. The total amount of such loan commitments at 31 December 2025 is £2,197.8m (2024: £1,885.1m) which are due within 3 months.

43. Liquidity risk (continued)

Society £m	2025				
	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Shares	16,471.6	9,003.6	5,592.3	85.9	**31,153.4**
Amounts owed to credit institutions, other customers and debt securities in issue	758.9	566.7	3,796.7	-	**5,122.3**
Derivative financial instruments	8.9	60.5	134.7	0.1	**204.2**
Lease liabilities	0.6	1.5	5.8	1.2	**9.1**
Trade payables	3.4	-	-	-	**3.4**
Subordinated liabilities	-	21.9	393.8	-	**415.7**
Subscribed capital	-	1.3	5.1	*note A*	**6.4**
Total	**17,243.4**	**9,655.5**	**9,928.4**	**87.2**	**36,914.5**

Society £m	2024				
	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Shares	15,148.0	9,408.1	4,148.1	72.4	**28,776.6**
Amounts owed to credit institutions, other customers and debt securities in issue	653.0	1,944.9	2,925.1	-	**5,523.0**
Derivative financial instruments	35.5	122.7	130.5	11.9	**300.6**
Lease liabilities	0.6	1.6	5.6	1.5	**9.3**
Trade payables	2.8	-	-	-	**2.8**
Subordinated liabilities	-	28.9	769.1	-	**798.0**
Subscribed capital	1.6	2.9	18.0	*note A*	**22.5**
Total	**15,841.5**	**11,509.1**	**7,996.4**	**85.8**	**35,432.8**

Note

A. With respect to subscribed capital, gross contractual cash flows represent interest payable on the Society's Permanent Interest-Bearing Shares (PIBS) (see Note 38). Following buy-back of the 12.875% legacy Tier 2 PIBS in the year, as described in Note 38, the undiscounted gross interest payable each year by the Society going forwards is £1.3m per annum (2024: £4.5m per annum). As the PIBS have no specified contractual maturity (as shown on pages 243 and 244, it is not possible to calculate the total amount of undiscounted gross interest that is payable beyond 5 years (i.e. into perpetuity). Also, as the PIBS have no specified contractual maturity, the amounts shown in the tables above do not anticipate any future repurchase of the PIBS by the Society.

Amounts owed to other customers in the Society tables above include a deemed loan from the Group's securitisation vehicle Darrowby No. 6 plc, which arise from the funding transactions carried out through that entity. The undiscounted gross contractual cash flows arising on this loan have been calculated on the assumption that the call options referred to on page 244 are exercised.

The Society has off-balance sheet exposure from commitments to lend where a mortgage has been offered but not yet completed. The total amount of such loan commitments at 31 December 2025 is £2,155.4m (2024: £1,867.3m) which are due within 3 months.

44. Market risk

Market risk is the risk that the value of, or income arising from, the Group's assets and liabilities changes as a result of changes in market prices; the principal elements being interest rate risk (including the use of derivatives) and foreign currency risk.

The Group's Treasury function is responsible for managing the Group's exposure to all aspects of market risk within the operational limits set out in the Group's Treasury policy, which is reviewed and recommended by ALCO and approved by the Board. The Group's Treasury function measures and monitors adherence to the Treasury policy and reports regularly on all aspects of market risk exposure, including interest rate risk and foreign currency risk.

a) Interest rate risk

The main market risk faced by the Group is interest rate risk.

The Group uses a number of different metrics to monitor interest rate risk and details of these are set out below.

The Group monitors interest rate risk exposure against limits by determining the effect on the Group's current net notional value of assets and liabilities for a parallel shift in interest rates equivalent to 2% for all maturities, in line with regulatory requirements. These results are compared to the Board limit and operational trigger at least weekly, and are formally reported to ALCO and the Board monthly.

Other interest rate risk metrics employed by the Group incorporate earnings-at-risk and market value methodologies. The market value exposure position is calculated using at least 250 monthly yield curve movements from, approximately, the last seven years. The earnings-at-risk methodology is calculated using at least 100 stochastically (randomly) generated rate paths. Both of these approaches employ 95% confidence intervals. The outputs of these interest rate risk measurement methodologies are compared to their respective Board limits and operational triggers at least weekly and are reported to ALCO and the Board monthly. All these measures are used to guide interest rate risk management decisions.

The levels of Group interest rate risk exposures throughout the reporting period, based on measures taken at each month end, were as follows:

£m	As at 31 December 2025	Average 2025	High 2025	Low 2025	As at 31 December 2024
Static earnings-at-risk	**25.3**	22.1	25.5	16.8	27.9
Historical value-at-risk	**3.3**	5.1	7.1	2.1	3.5
2% parallel interest rate shift	**8.8**	14.5	21.8	4.1	20.8

Although these measures provide valuable insights into the market risk to which the Group is exposed, they need to be viewed in the context of the following limitations:

- Historical data is not necessarily the best guide to future events, but is a reasonable proxy;
- The use of 95% confidence levels, by definition, does not take account of changes that may occur beyond this level of confidence and therefore may not fully take into account the most extreme events; and
- Exposures are calculated on static Statement of Financial Position positions and therefore future changes in the structure of the Statement of Financial Position are ignored.

Other interest rate risk exposures, such as basis risk (the risk of loss arising from changes in the relationship between interest rates which have similar but not identical characteristics, for example SONIA and Bank of England Base Rate), are also monitored closely and regularly reported to ALCO.

b) Currency risk

The currency risk appetite of the Group is low and any instruments denominated in foreign currency are immediately swapped into Sterling.

The Group has one regulated covered bond in Euros totalling €500m (2024: one bond, €500m). The exposure to foreign currency fluctuations on this bond is fully hedged as a derivative contract was taken out to swap the Euros into Sterling on issuance of the bond.

44. Market risk (continued)

The Group has one intragroup loan denominated in New Zealand Dollars totalling $25m (2024: nil). The exposure to foreign currency fluctuations on this bond is fully hedged as a derivative contract was taken out to swap the Dollars into Sterling on the same date funds were lent.

The Group has investments in its subsidiary undertaking Jade, which are denominated in New Zealand dollars. The foreign currency fluctuations in relation to these investments are not hedged and are recognised in the Group's translation reserve.

SIL holds deposits from customers denominated in US dollars (USD). SIL manages its foreign currency risk by holding cash and debt securities denominated in USD; the objective is to minimise mismatches between the balance and maturity profile of USD assets and USD liabilities, and also mismatches between the related interest income and interest expense on USD assets and liabilities.

In addition, a number of the Group's businesses undertake transactions denominated in foreign currency as part of their normal business. Any amounts outstanding at 31 December 2025 are not material.

c) Other price risk

The Group also has exposure to market risk arising from the movement in the Retail Price Index and house price indices. In particular, movements in these indices impact on the valuation of the equity release portfolio, as outlined further in Note 1v).

45. Credit risk

Credit risk is the risk of suffering financial loss should borrowers or counterparties default on their contractual obligations to the Group.

The Group faces this risk from its lending to:

- individual customers (retail mortgages);
- businesses (through legacy commercial lending no longer originated and current debt factoring / invoice discounting);
- wholesale counterparties (including other financial institutions). Credit risk within our treasury portfolio arises from the investments held by the Group in order to meet liquidity requirements and for general business purposes; and
- other Group entities, for the Society only.

Changes in the credit quality and the recoverability of loans and amounts due from counterparties influence the Group's exposure to the risk of credit losses. The Group's strategy is to maintain a cautious approach to credit risk and new lending. Adverse changes in the credit quality of counterparties, collateral values or deterioration in the wider economy, including rising unemployment, changes in interest rates, deterioration in household finances and any contraction in the UK property market leading to falling property values, could affect the recoverability and value of the Group's assets and influence its financial performance.

The Group has embedded a comprehensive credit risk management framework with clear lines of accountability and oversight as part of its overall governance framework.

The Group has policies and procedures to monitor, control, mitigate and manage credit risk within the Group's credit risk appetite. The Retail Credit Committee and the Group Wholesale Credit Committee provide oversight to the effectiveness of all credit management across the Group and the controls in place ensure lending is within the Board approved credit risk appetite. The reporting structure ensures timely and accurate reporting of all substantive risk matters to the Board and the Board Risk Committee. The Board receives monthly updates on the credit risk profile of the Group.

Scenario analysis has been undertaken to identify the impact of climate-related risks on the Group's credit risk management. This includes assessing the residential lending portfolio at property level to determine the potential impact of key climate-related physical and transitional risks. The scenario analysis indicates that the most significant effects from climate change occur in the medium to long-term, with material financial impacts from transition risks expected to transpire before physical risks. Based on current UK Government policies, a delayed transition appears the most probable. Therefore, the most significant transition risks which may impact the Group are not expected to occur before the 2030s. The results of this assessment did not lead to a change in carrying amounts as at 31 December 2025 or 31 December 2024. The future impact of climate-related risks on credit risk is uncertain, and the Group will continue to monitor developments in future periods.

Management makes use of the Group's IFRS 9 ECL information for purposes that include regulatory capital management, certain product pricing models and credit risk forecasting.

The maximum exposure to credit risk for financial assets is represented by the carrying amount of each financial asset, except for the following:

- A fair value adjustment debit for hedged risk of £58.9m (2024: £274.6m credit) for the Group and £60.9m (2024: £271.7m credit) for the Society is included within loans and advances to customers. This is indirectly exposed to credit risk through the relationship with the underlying loans covered by the Group's hedging strategy.
- The Group has credit risk exposure from commitments to lend where a mortgage has been offered but not yet completed, which leads to the recognition of a financial asset (within loans and advances to customers) on completion of the mortgage. As outlined in Note 1h), an impairment loss allowance is held against these commitments in accordance with IFRS 9. The total amount of such loan commitments at 31 December 2025 is £2,197.8m (2024: £1,885.1m) for the Group and £2,155.4m (2024: £1,867.3m) for the Society and the impairment loss allowance held against these commitments is £0.3m (2024: £0.2m) for both the Group and the Society.

45. Credit risk (continued)

Retail mortgage lending to customers

The Group currently lends in the prime residential UK mortgage market, including buy-to-let, through the Society, whilst SIL lends in the Channel Islands and in the UK. The Board's credit risk appetite defines a number of limits regarding customer and collateral credit quality to which all lending activity must adhere.

The credit decision process utilises automated credit scoring and policy rules with lending policy criteria supporting manual underwriting. All aspects of the credit decision process are subject to regular independent review and development ensuring they support decisions in line with the Board's credit risk appetite.

Commercial lending to customers and businesses

The Society's commercial mortgage portfolio was closed to new lending in November 2008.

Other loans and advances

These include advances made by our factored debt and invoice discounting business, SBF, which continue to be managed by appropriately skilled teams. In addition, other loans and advances include advances made to residential mortgage customers in Guernsey and Jersey by SIL; these are secured on shares in a property management company which owns the building in which the properties are located. These loans are monitored by appropriately skilled teams in SIL.

Wholesale lending to other financial institutions

Wholesale credit risk arises from the wholesale investments undertaken by the Group's Treasury function which is responsible for managing this aspect of credit risk in line with the Board approved credit risk appetite and wholesale credit policies. Wholesale counterparty limits are reviewed monthly by the Group Wholesale Credit Committee based on analyses of counterparties' financial performance, ratings and other market information to ensure that limits remain within our risk appetite. We regularly review and closely monitor the number of counterparties to whom we will lend and, for those counterparties to whom we have lent, we review both the amount and duration of any limits.

A deterioration in wholesale credit markets could lead to volatility in the value of the Group's portfolio of treasury assets together with the risk of further impairment within our treasury investments portfolio.

ALCO provides oversight to the effectiveness of wholesale credit risk management.

Intra-Group lending

Credit risk also arises on loans made by the Society to other Group entities, including any committed to but undrawn amounts. Intra-Group counterparty limits are reviewed monthly by, and any increases must be pre-approved by, the Group Wholesale Credit Committee.

45. Credit risk (continued)

a) Credit risk - loans and advances to customers held at amortised cost

The tables below show the breakdown of the Group and Society's loans and advances to customers held at amortised cost at the reporting date:

Group	2025				
	Gross carrying amount £m	ECL allowance (Note 17) £m	Fair value adjustment for hedged risk £m	Carrying amount	
				£m	%
Residential mortgages	33,007.5	(21.6)	58.9	**33,044.8**	99.0
Loans fully secured on land^	92.2	(2.6)	-	**89.6**	0.3
Other lending:					
Debt factoring advances	200.6	(1.4)	-	**199.2**	0.6
Other loans	45.3	-	-	**45.3**	0.1
Total	**33,345.6**	**(25.6)**	**58.9**	**33,378.9**	**100.0**

Group	2024				
	Gross carrying amount £m	ECL allowance (Note 17) £m	Fair value adjustment for hedged risk £m	Carrying amount	
				£m	%
Residential mortgages	30,542.8	(13.5)	(274.6)	**30,254.7**	98.8
Loans fully secured on land^	114.3	(4.7)	-	**109.6**	0.4
Other lending:					
Debt factoring advances	190.0	(1.4)	-	**188.6**	0.6
Other loans	48.2	-	-	**48.2**	0.2
Total	**30,895.3**	**(19.6)**	**(274.6)**	**30,601.1**	**100.0**

Society	2025				
	Gross carrying amount £m	ECL allowance (Note 17) £m	Fair value adjustment for hedged risk £m	Carrying amount	
				£m	%
Residential mortgages	30,991.2	(20.9)	60.9	**31,031.2**	99.7
Loans fully secured on land^	92.2	(2.6)	-	**89.6**	0.3
Other lending	0.5	-	-	**0.5**	-
Total	**31,083.9**	**(23.5)**	**60.9**	**31,121.3**	**100.0**

Society	2024				
	Gross carrying amount £m	ECL allowance (Note 17) £m	Fair value adjustment for hedged risk £m	Carrying amount	
				£m	%
Residential mortgages	28,509.8	(12.8)	(271.7)	28,225.3	99.6
Loans fully secured on land^	114.3	(4.7)	-	109.6	0.4
Total	**28,624.1**	**(17.5)**	**(271.7)**	**28,334.9**	**100.0**

^ Also known as commercial mortgages.

For details on how the Group assesses ECLs see Note 1h).

45. Credit risk (continued)

i) Residential mortgages

The majority of loans and advances to customers are secured on UK residential properties and are geographically diverse.

The tables below provide information on residential loans and advances by payment due status:

2025 £m	Group				Society			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	32,216.6	468.4	19.8	**32,704.8**	30,212.1	465.1	19.8	**30,697.0**
Up to 30 days past due	-	104.5	3.3	**107.8**	-	101.9	3.3	**105.2**
31 to 60 days past due	-	49.9	7.8	**57.7**	-	47.1	7.8	**54.9**
61 to 90 days past due	-	23.8	11.2	**35.0**	-	23.1	11.2	**34.3**
Over 90 days past due	-	-	102.2	**102.2**	-	-	99.8	**99.8**
Total	**32,216.6**	**646.6**	**144.3**	**33,007.5**	**30,212.1**	**637.2**	**141.9**	**30,991.2**

2024 £m	Group				Society			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	30,067.3	224.2	13.8	30,305.3	28,046.0	220.4	13.8	**28,280.2**
Up to 30 days past due	-	72.5	3.6	76.1	-	70.6	3.6	**74.2**
31 to 60 days past due	-	46.4	4.6	51.0	-	43.6	4.6	**48.2**
61 to 90 days past due	-	15.7	9.8	25.5	-	15.7	9.8	**25.5**
Over 90 days past due	-	-	84.9	84.9	-	-	81.7	**81.7**
Total	**30,067.3**	**358.8**	**116.7**	**30,542.8**	**28,046.0**	**350.3**	**113.5**	**28,509.8**

The tables below provide information on movements in the gross carrying amount of residential loans and advances to customers during the year:

2025 £m	Group				Society			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January	30,067.3	358.8	116.7	**30,542.8**	28,046.0	350.3	113.5	**28,509.8**
Transfers due to changes in credit risk (note A):								
From stage 1 to stage 2	(379.9)	379.9	-	**-**	(373.3)	373.3	-	**-**
From stage 1 to stage 3	(17.5)	-	17.5	**-**	(16.6)	-	16.6	**-**
From stage 2 to stage 1	102.5	(102.5)	-	**-**	99.1	(99.1)	-	**-**
From stage 2 to stage 3	-	(16.5)	16.5	**-**	-	(16.5)	16.5	**-**
From stage 3 to stage 2	-	10.2	(10.2)	**-**	-	10.2	(10.2)	**-**
From stage 3 to stage 1	0.6	-	(0.6)	**-**	0.6	-	(0.6)	**-**
Modification of contractual cashflows	(99.4)	67.9	26.3	**(5.2)**	(99.4)	67.9	26.3	**(5.2)**
Increases due to origination	6,960.1	19.3	2.1	**6,981.5**	6,772.4	19.3	2.1	**6,793.8**
Decrease due to derecognition and repayments	(4,427.6)	(71.1)	(20.7)	**(4,519.4)**	(4,227.2)	(68.8)	(19.0)	**(4,315.0)**
Written off	-	(0.1)	(4.1)	**(4.2)**	-	(0.1)	(4.1)	**(4.2)**
Other movements	10.5	0.7	0.8	**12.0**	10.5	0.7	0.8	**12.0**
Gross carrying amount at 31 December	**32,216.6**	**646.6**	**144.3**	**33,007.5**	**30,212.1**	**637.2**	**141.9**	**30,991.2**

45. Credit risk (continued)

2024 £m	Group				Society			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January	27,485.7	628.6	78.0	**28,192.3**	25,412.6	624.3	77.1	**26,114.0**
Transfers due to changes in credit risk (note A):								
From stage 1 to stage 2	(180.2)	180.2	-	-	(171.8)	171.8	-	-
From stage 1 to stage 3	(14.8)	-	14.8	-	(11.7)	-	11.7	-
From stage 2 to stage 1	352.8	(352.8)	-	-	350.3	(350.3)	-	-
From stage 2 to stage 3	-	(15.5)	15.5	-	-	(15.5)	15.5	-
From stage 3 to stage 2	-	6.0	(6.0)	-	-	6.0	(6.0)	-
From stage 3 to stage 1	1.0	-	(1.0)	-	1.0	-	(1.0)	-
Modification of contractual cashflows	(26.8)	(8.5)	30.6	**(4.7)**	(26.8)	(8.5)	30.6	**(4.7)**
Increases due to origination	5,996.7	15.1	0.7	**6,012.5**	5,833.8	15.1	0.7	**5,849.6**
Decrease due to derecognition and repayments	(3,555.8)	(93.9)	(12.7)	**(3,662.4)**	(3,350.1)	(92.2)	(11.9)	**(3,454.2)**
Written off	(0.1)	(0.4)	(3.9)	**(4.4)**	(0.1)	(0.4)	(3.9)	**(4.4)**
Other movements	8.8	-	0.7	**9.5**	8.8	-	0.7	**9.5**
Gross carrying amount at 31 December	**30,067.3**	**358.8**	**116.7**	**30,542.8**	**28,046.0**	**350.3**	**113.5**	**28,509.8**

Note

A. For the purposes of the analysis presented above, the amounts shown for 'transfers due to changes in credit risk' are based on account balances at the start of the reporting period (not account balances at the date of transfer).

As shown in the tables above, during 2025 there was a net increase in stage 2 loans of £287.8m for the Group and of £286.9m for the Society. As outlined in Note 1v), during 2025 the Group has revised its view of forward-looking economic indicators and the associated scenario weightings; this caused PDs to increase and, as a result, more accounts have migrated to stage 2.

Gains and losses arising during the year from loan modifications that did not result in derecognition were not material. Amounts written off are in accordance with the Group's accounting policy for write-offs (see Note 1h)). Amounts presented within 'other movements' in the tables above include movements in the Group's effective interest rate asset as described in Note 1f).

For residential mortgages, stage 3 loans which no longer meet any of the default criteria are subject to a six month minimum probation period before they become eligible for transfer out of stage 3. At 31 December 2025, stage 3 loans include £36.7m (2024: £23.3m) for the Group and Society being held in stage 3 under this probation period.

45. Credit risk (continued)

The table below provides information on movements in the impairment loss allowance for residential loans and advances to customers during the year:

2025 £m	Group				Society			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance at 1 January	4.5	2.5	6.5	**13.5**	4.4	2.4	6.0	**12.8**
Transfers due to changes in credit risk:								
From stage 1 to stage 2	(0.1)	2.3	-	**2.2**	(0.1)	2.3	-	**2.2**
From stage 1 to stage 3	-	-	1.0	**1.0**	-	-	1.0	**1.0**
From stage 2 to stage 1	-	(0.2)	-	**(0.2)**	-	(0.2)	-	**(0.2)**
From stage 2 to stage 3	-	(0.3)	0.7	**0.4**	-	(0.3)	0.7	**0.4**
From stage 3 to stage 2	-	0.1	(0.1)	**-**	-	0.1	(0.1)	**-**
Remeasurements within existing stage	2.3	0.3	-	**2.6**	2.2	0.1	0.2	**2.5**
Increases due to origination	2.4	0.3	-	**2.7**	2.5	0.3	-	**2.8**
Decrease due to derecognition and repayments	(0.5)	(0.3)	(1.4)	**(2.2)**	(0.5)	(0.3)	(1.4)	**(2.2)**
Changes due to modification without derecognition	-	0.7	1.5	**2.2**	-	0.7	1.5	**2.2**
Written off	-	-	(0.6)	**(0.6)**	-	-	(0.6)	**(0.6)**
Loss allowance at 31 December	**8.6**	**5.4**	**7.6**	**21.6**	**8.5**	**5.1**	**7.3**	**20.9**

2024 £m	Group				Society			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance at 1 January	16.2	6.0	6.8	**29.0**	15.4	5.9	6.6	**27.9**
Transfers due to changes in credit risk:								
From stage 1 to stage 2	(0.1)	0.8	-	**0.7**	(0.1)	0.8	-	**0.7**
From stage 1 to stage 3	-	-	0.5	**0.5**	-	-	0.5	**0.5**
From stage 2 to stage 1	0.1	(1.6)	-	**(1.5)**	0.1	(1.6)	-	**(1.5)**
From stage 2 to stage 3	-	(0.4)	0.4	**-**	-	(0.4)	0.4	**-**
From stage 3 to stage 2	-	0.1	(0.2)	**(0.1)**	-	0.1	(0.2)	**(0.1)**
Remeasurements within existing stage	(11.0)	(0.8)	(0.4)	**(12.2)**	(10.4)	(0.9)	(0.7)	**(12.0)**
Increases due to origination	1.2	0.1	0.1	**1.4**	1.1	0.1	0.1	**1.3**
Decrease due to derecognition and repayments	(1.9)	(0.6)	(0.9)	**(3.4)**	(1.7)	(0.5)	(0.9)	**(3.1)**
Changes due to modification without derecognition	-	(1.1)	0.9	**(0.2)**	-	(1.1)	0.9	**(0.2)**
Written off	-	-	(0.7)	**(0.7)**	-	-	(0.7)	**(0.7)**
Loss allowance at 31 December	**4.5**	**2.5**	**6.5**	**13.5**	**4.4**	**2.4**	**6.0**	**12.8**

45. Credit risk (continued)

The loss allowance at 31 December 2025 includes judgmental adjustments totalling £4.8m (2024: £2.7m) for the Group and £4.8m (2024: £2.7m) for the Society. Details of these judgmental adjustments are set out in Note 1v).

The tables below provide information on residential loans and advances to customers grouped by credit risk rating (probability of default). For further details on how the probability of default (PD) affects the Group's assessment of ECLs, see Note 1h) and Note 1v). ECL coverage shows the level of loss allowance expressed as a percentage of the gross carrying amount.

The PDs used by the Group for IFRS 9 accounting purposes are not directly comparable to the PDs used by the Group for IRB regulatory purposes; this is due to significant differences in the requirements and methodologies applied by the Group for IFRS 9 and for IRB respectively.

Group 2025 (£m)	Gross Carrying Amount				Loss Allowance			
Probability of default	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<0.15%	1,409.6	0.9	-	**1,410.5**	0.5	-	-	**0.5**
0.15% - <0.25%	4,408.0	1.6	-	**4,409.6**	0.8	-	-	**0.8**
0.25% - <0.5%	16,089.9	1.8	-	**16,091.7**	3.6	-	-	**3.6**
0.5% - <0.75%	7,690.8	4.9	-	**7,695.7**	2.3	-	-	**2.3**
0.75% - <2.5%	2,601.4	51.0	-	**2,652.4**	1.4	-	-	**1.4**
2.5% - <10%	16.9	144.7	-	**161.6**	-	0.2	-	**0.2**
10% - <100%	-	441.7	-	**441.7**	-	5.2	-	**5.2**
Default	-	-	144.3	**144.3**	-	-	7.6	**7.6**
Total	**32,216.6**	**646.6**	**144.3**	**33,007.5**	**8.6**	**5.4**	**7.6**	**21.6**
ECL coverage by stage (%)					**0.03%**	**0.84%**	**5.27%**	**0.07%**

Group 2024 (£m)	Gross Carrying Amount				Loss Allowance			
Probability of default	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<0.15%	4,841.6	0.4	-	**4,842.0**	0.6	-	-	**0.6**
0.15% - <0.25%	11,387.8	0.4	-	**11,388.2**	1.5	-	-	**1.5**
0.25% - <0.5%	10,752.9	5.7	-	**10,758.6**	1.8	-	-	**1.8**
0.5% - <0.75%	2,647.4	13.0	-	**2,660.4**	0.4	-	-	**0.4**
0.75% - <2.5%	430.9	65.3	-	**496.2**	0.2	-	-	**0.2**
2.5% - <10%	6.7	59.4	-	**66.1**	-	0.1	-	**0.1**
10% - <100%	-	214.6	-	**214.6**	-	2.4	-	**2.4**
Default	-	-	116.7	**116.7**	-	-	6.5	**6.5**
Total	**30,067.3**	**358.8**	**116.7**	**30,542.8**	**4.5**	**2.5**	**6.5**	**13.5**
ECL coverage by stage (%)					**0.01%**	**0.70%**	**5.57%**	**0.04%**

45. Credit risk (continued)

Society 2025 (£m)	Gross Carrying Amount				Loss Allowance			
Probability of default	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<0.15%	1,409.6	0.9	-	**1,410.5**	0.5	-	-	**0.5**
0.15% - <0.25%	4,408.0	1.6	-	**4,409.6**	0.8	-	-	**0.8**
0.25% - <0.5%	15,438.0	1.8	-	**15,439.8**	3.6	-	-	**3.6**
0.5% - <0.75%	6,338.2	4.9	-	**6,343.1**	2.2	-	-	**2.2**
0.75% - <2.5%	2,601.4	51.0	-	**2,652.4**	1.4	-	-	**1.4**
2.5% - <10%	16.9	144.7	-	**161.6**	-	0.2	-	**0.2**
10% - <100%	-	432.3	-	**432.3**	-	4.9	-	**4.9**
Default	-	-	141.9	**141.9**	-	-	7.3	**7.3**
Total	**30,212.1**	**637.2**	**141.9**	**30,991.2**	**8.5**	**5.1**	**7.3**	**20.9**
ECL coverage by stage (%)					0.03%	0.80%	5.14%	0.07%

Society 2024 (£m)	Gross Carrying Amount				Loss Allowance			
Probability of default	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<0.15%	4,841.6	0.4	-	**4,842.0**	0.6	-	-	**0.6**
0.15% - <0.25%	11,387.7	0.4	-	**11,388.1**	1.5	-	-	**1.5**
0.25% - <0.5%	10,063.3	5.7	-	**10,069.0**	1.8	-	-	**1.8**
0.5% - <0.75%	1,315.8	13.0	-	**1,328.8**	0.3	-	-	**0.3**
0.75% - <2.5%	430.9	65.3	-	**496.2**	0.2	-	-	**0.2**
2.5% - <10%	6.7	59.4	-	**66.1**	-	0.1	-	**0.1**
10% - <100%	-	206.1	-	**206.1**	-	2.3	-	**2.3**
Default	-	-	113.5	**113.5**	-	-	6.0	**6.0**
Total	**28,046.0**	**350.3**	**113.5**	**28,509.8**	**4.4**	**2.4**	**6.0**	**12.8**
ECL coverage by stage (%)					0.02%	0.69%	5.29%	0.04%

The tables below provide an analysis of residential loans held in stage 2 as at the balance sheet date, reflecting the reasons for inclusion in stage 2. For the purposes of this analysis, where a loan satisfies at the balance sheet date more than one of the stage 2 criteria, the loan is included below within one category only and in order of the categories as presented. The amounts presented below as 'Over 30 days past due' therefore include all stage 2 loans which are over 30 days past due as at the balance sheet date, including those where this was not the initial reason for being classified as stage 2.

Stage 2 Analysis

Group	2025			2024		
	Gross carrying amount £m	ECL allowance £m	ECL coverage %	Gross carrying amount £m	ECL allowance £m	ECL coverage %
Over 30 days past due	**73.7**	**2.1**	**2.8%**	62.1	1.2	1.9%
In forbearance	**130.2**	**1.1**	**0.8%**	16.5	0.1	0.6%
In arrears	**59.4**	**0.9**	**1.5%**	66.8	0.6	0.9%
Term expired	**15.7**	**-**	**-**	18.6	-	-
Temporary transfer to interest only*	**85.8**	**0.1**	**0.1%**	103.5	0.1	0.1%
Increase in PD since origination	**281.8**	**1.2**	**0.4%**	91.3	0.5	0.5%
Total	**646.6**	**5.4**	**0.8%**	358.8	2.5	0.7%

45. Credit risk (continued)

Stage 2 Analysis

Society	2025			2024		
	Gross carrying amount £m	ECL allowance £m	ECL coverage %	Gross carrying amount £m	ECL allowance £m	ECL coverage %
Over 30 days past due	70.2	1.9	2.7%	59.3	1.1	1.9%
In forbearance	127.0	1.1	0.9%	12.6	0.1	0.8%
In arrears	56.7	0.8	1.4%	65.0	0.6	0.9%
Term expired	15.7	0.0	0.0%	18.6	-	-
Temporary transfer to interest only *	85.8	0.1	0.1%	103.5	0.1	0.1%
Increase in PD since origination	281.8	1.2	0.4%	91.3	0.5	0.5%
Total	**637.2**	**5.1**	**0.8%**	350.3	2.4	0.7%

*Temporary arrangement in place, via the Mortgage Charter Scheme, to repay interest only

The tables below provide further information on the types of lending and geographical split:

Group £m	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Prime:								
Residential	26,835.0	513.2	109.0	**27,457.2**	24,273.8	288.6	80.1	**24,642.5**
Buy-to-let	5,239.7	91.4	19.4	**5,350.5**	5,608.3	42.1	18.3	**5,668.7**
Self build	7.5	0.9	0.7	**9.1**	8.6	0.8	1.0	**10.4**
Fast track*	7.8	0.4	0.2	**8.4**	9.2	0.6	0.1	**9.9**
Self certified	113.1	35.0	13.7	**161.8**	145.2	21.4	15.4	**182.0**
Sub-prime^:								
Residential	2.6	1.1	-	**3.7**	3.7	0.8	0.2	**4.7**
Buy-to-let	3.3	0.6	0.3	**4.2**	5.0	0.4	0.3	**5.7**
Self certified	7.6	4.0	1.0	**12.6**	13.5	4.1	1.3	**18.9**
Total	**32,216.6**	**646.6**	**144.3**	**33,007.5**	30,067.3	358.8	116.7	30,542.8

Society £m	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Prime:								
Residential	26,183.1	511.2	109.0	**26,803.3**	23,584.1	285.0	79.8	**23,948.9**
Buy-to-let	3,887.1	84.0	17.0	**3,988.1**	4,276.7	37.2	15.4	**4,329.3**
Self build	7.5	0.9	0.7	**9.1**	8.6	0.8	1.0	**10.4**
Fast track*	7.8	0.4	0.2	**8.4**	9.2	0.6	0.1	**9.9**
Self certified	113.1	35.0	13.7	**161.8**	145.2	21.4	15.4	**182.0**
Sub-prime^:								
Residential	2.6	1.1	-	**3.7**	3.7	0.8	0.2	**4.7**
Buy-to-let	3.3	0.6	0.3	**4.2**	5.0	0.4	0.3	**5.7**
Self certified	7.6	4.0	1.0	**12.6**	13.5	4.1	1.3	**18.9**
Total	**30,212.1**	**637.2**	**141.9**	**30,991.2**	28,046.0	350.3	113.5	28,509.8

* Fast track relates to certain mortgages granted between 2007-2009 for which, subject to certain application criteria, the Society accepted reduced documentation from borrowers.

^ Sub-prime mortgages are defined as loans to borrowers that typically had weakened credit histories at the time the loan was advanced. Prior to 1 June 2021, these loans were held by the Group's specialist lending businesses Amber and NYM; these loans were hived-up into the Society with effect from 1 June 2021.

45. Credit risk (continued)

Group (£m)	2025				2024			
Region	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
North	871.8	19.7	5.6	**897.1**	854.6	14.3	3.9	**872.8**
Yorkshire	2,445.7	50.8	9.8	**2,506.3**	2,332.1	30.2	9.8	**2,372.1**
East Midlands	2,199.7	52.1	8.2	**2,260.0**	2,035.7	26.7	7.2	**2,069.6**
East Anglia	3,186.6	69.6	16.2	**3,272.4**	2,836.3	43.8	11.3	**2,891.4**
London	6,211.9	110.9	29.4	**6,352.2**	5,732.7	54.4	22.6	**5,809.7**
South East	5,281.4	107.2	26.4	**5,415.0**	4,847.5	57.2	21.5	**4,926.2**
South West	2,804.1	51.9	9.5	**2,865.5**	2,695.6	29.2	6.9	**2,731.7**
West Midlands	2,625.2	55.8	10.0	**2,691.0**	2,381.5	31.1	7.4	**2,420.0**
North West	2,996.0	65.1	15.4	**3,076.5**	2,821.4	37.5	13.6	**2,872.5**
Wales	878.4	20.2	3.9	**902.5**	825.6	10.3	3.9	**839.8**
Scotland	2,012.4	39.7	8.6	**2,060.7**	1,959.1	19.8	6.7	**1,985.6**
Northern Ireland	8.7	1.4	1.3	**11.4**	11.2	0.8	1.3	**13.3**
Channel Islands	694.7	2.2	-	**696.9**	734.0	3.5	0.6	**738.1**
Total	**32,216.6**	**646.6**	**144.3**	**33,007.5**	30,067.3	358.8	116.7	30,542.8

Society (£m)	2025				2024			
Region	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
North	867.8	19.7	5.6	**893.1**	850.3	14.3	3.9	**868.5**
Yorkshire	2,429.4	50.8	9.8	**2,490.0**	2,315.5	30.0	9.8	**2,355.3**
East Midlands	2,190.6	51.8	8.2	**2,250.6**	2,024.7	26.6	7.2	**2,058.5**
East Anglia	3,164.8	69.5	16.2	**3,250.5**	2,814.4	43.4	11.3	**2,869.1**
London	5,357.6	105.2	27.6	**5,490.4**	4,899.8	50.4	20.3	**4,970.5**
South East	5,145.1	107.2	26.0	**5,278.3**	4,705.0	57.0	21.5	**4,783.5**
South West	2,771.0	51.9	9.5	**2,832.4**	2,661.5	29.2	6.9	**2,697.6**
West Midlands	2,556.1	55.5	9.8	**2,621.4**	2,315.4	31.0	7.1	**2,353.5**
North West	2,863.3	64.6	15.4	**2,943.3**	2,698.9	37.5	13.6	**2,750.0**
Wales	873.0	19.9	3.9	**896.8**	819.6	10.3	3.9	**833.8**
Scotland	1,984.7	39.7	8.6	**2,033.0**	1,929.7	19.8	6.7	**1,956.2**
Northern Ireland	8.7	1.4	1.3	**11.4**	11.2	0.8	1.3	**13.3**
Total	**30,212.1**	**637.2**	**141.9**	**30,991.2**	28,046.0	350.3	113.5	28,509.8

Indexed loan-to-value information on the Group's residential loan portfolio is set out below:

Group (£m)	2025				2024			
Loan-to-value	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<40%	5,526.9	119.9	20.3	**5,667.1**	5,891.7	72.6	21.0	**5,985.3**
40% - 50%	3,705.0	93.6	22.7	**3,821.3**	4,052.9	58.7	19.8	**4,131.4**
50% - 60%	4,169.7	125.3	26.9	**4,321.9**	4,442.5	63.8	32.9	**4,539.2**
60% - 70%	4,367.5	106.7	23.8	**4,498.0**	4,622.4	60.2	16.6	**4,699.2**
70% - 80%	4,586.0	78.7	14.5	**4,679.2**	4,021.4	41.5	8.7	**4,071.6**
80% - 90%	6,620.2	93.4	21.0	**6,734.6**	5,324.7	46.2	10.8	**5,381.7**
90% - 100%	3,181.4	27.0	11.1	**3,219.5**	1,687.3	14.5	3.0	**1,704.8**
>100%	59.9	2.0	4.0	**65.9**	24.4	1.3	3.9	**29.6**
Total	**32,216.6**	**646.6**	**144.3**	**33,007.5**	30,067.3	358.8	116.7	30,542.8

45. Credit risk (continued)

Society (£m)	2025				2024			
Loan-to-value	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<40%	**5,249.9**	**119.1**	**20.3**	**5,389.3**	5,611.6	71.9	21.0	**5,704.5**
40% - 50%	**3,425.0**	**93.2**	**22.0**	**3,540.2**	3,761.8	58.7	19.4	**3,839.9**
50% - 60%	**3,785.2**	**124.1**	**26.4**	**3,935.7**	4,036.9	61.1	32.2	**4,130.2**
60% - 70%	**3,869.9**	**104.0**	**23.8**	**3,997.7**	4,091.1	57.3	16.5	**4,164.9**
70% - 80%	**4,169.7**	**76.3**	**13.7**	**4,259.7**	3,628.3	40.7	7.3	**3,676.3**
80% - 90%	**6,505.1**	**92.4**	**21.0**	**6,618.5**	5,235.9	45.6	10.2	**5,291.7**
90% - 100%	**3,154.0**	**27.0**	**10.7**	**3,191.7**	1,663.2	14.5	3.0	**1,680.7**
>100%	**53.3**	**1.1**	**4.0**	**58.4**	17.2	0.5	3.9	**21.6**
Total	**30,212.1**	**637.2**	**141.9**	**30,991.2**	28,046.0	350.3	113.5	28,509.8

The Group's policy for new mortgage lending is currently a maximum loan-to-value ratio of 100% for residential mortgages and 75% for buy-to-let lending. In addition, SIL lends up to 100% on its 'Next Generation' mortgages, for which a family member is required to provide a guarantee of up to 20% of the borrower's property value (to be supported by a bond over the guarantor's own suitable property in Guernsey or Jersey).

There has been an increase in the volume of 80-100% LTV lending within the year as we continue to deliver on our purpose of helping more people have a home. This has resulted in an increase in the overall percentage of the book with an LTV greater than 80%; 31.8% at 31 December 2025 (2024: 24.5%) and an increase in the average indexed loan-to-value of the Society's new lending in 2025 to 68.4% (2024: 65.3%). The quality of the lending remains high, with a well-managed spread of risk, carried out in a controlled manner being cognisant of the economic challenges that lie ahead. This is represented by the proportion of Group residential mortgage accounts in arrears by three months or more which remained low at 0.30% (2024: 0.28%).

At 31 December 2025, the average indexed loan-to-value of Group residential mortgages on a valuation weighted basis (calculated as the total outstanding balance divided by the total value of collateral held), was 48.8% (2024: 46.1%) and for Society residential mortgages was 48.7% (2024: 45.9%).

Forbearance

Where appropriate for customers, the Group applies a policy of forbearance. This may be applied where the actual or apparent financial stress of the customer is considered to be short-term with a potential to be recovered. Forbearance may involve arrears capitalisation, a reduction in the monthly payment (known as a concession), a conversion to interest only or a mortgage term extension. Forbearance is undertaken in order to achieve the best outcome for both the customer and the business through dealing with repayment difficulties at an early stage.

Possession is generally considered only as a last resort, once all other options for the customer have been exhausted. Possession balances represent loans against which the Group has taken ownership of properties pending their sale. The Group does not occupy repossessed properties for business use or use assets acquired in its operations. All customer accounts are monitored to ensure that these strategies remain appropriate.

Possessions

For the Group, at 31 December 2025 the balance of residential loans where the property has been taken into possession was £3.0m and represents less than 0.1% of total outstanding loans (2024: £3.8m; less than 0.1%). For the Society, at 31 December 2025 the balance of residential loans where the property has been taken into possession was £3.0m and represents less than 0.01% of total outstanding loans (2024: £3.2m; less than 0.1%). All possessions balances are classified as stage 3.

Forbearance activity

The tables below provide further information on residential mortgages regarded as being in forbearance as at 31 December 2025, showing the type of account renegotiations applied. For the purposes of these forbearance tables, the Group applies the Bank of England Prudential Regulatory Authority (PRA) definition of forbearance (which is aligned to the European Banking Authority, EBA, definition).

45. Credit risk (continued)

Under the PRA definition, loans are required to meet certain payment and arrears criteria before they are deemed to exit forbearance; this includes a minimum two-year probation period following the forbearance event (extended to three years in certain situations).

For the purposes of the tables below, the following loans are regarded as forborne as at 31 December 2025*:

- any loan to which forbearance measures were applied within the two years prior to the reporting date (regardless of whether the loan remains on renegotiated terms at 31 December 2025); and
- any loan to which forbearance measures were applied and which remains in the probation period following the forbearance event.

For the purposes of the tables below, loans are presented according to the ECL stage they were held in as at the reporting date.

* As noted in Note 1v), the SICR criteria applied by the Group was revised during the year, to align the probation period of forborne accounts with that used in regulatory reporting standards. For the purposes of the 2024 comparative tables below, information is therefore presented in accordance with the criteria that was applicable as at 31 December 2024 (as disclosed in Note 43a)(i) to the 2024 Annual Report and Accounts).

Group - 2025	Total £m	Capitalisation £m	Reduced Payment £m	Transfer to interest only £m	Term Extension £m	Total renegotiations	
						£m	%
Stage 1							
Not past due	**32,216.6**	-	-	-	-	**-**	-
	32,216.6	**-**	**-**	**-**	**-**	**-**	**-**
Stage 2							
Not past due	**468.4**	3.8	66.8	14.3	-	**84.9**	18.1
Past due up to 30 days	**104.5**	0.3	43.3	1.6	-	**45.2**	43.3
Over 30 days past due	**73.7**	-	24.4	2.2	-	**26.6**	36.1
	646.6	**4.1**	**134.5**	**18.1**	**-**	**156.7**	**24.2**
Stage 3							
Not past due	**19.8**	1.5	7.8	0.2	-	**9.5**	48.0
Past due up to 90 days	**22.3**	0.1	9.8	2.1	-	**12.0**	53.8
Over 90 days past due	**102.2**	0.7	53.9	7.5	-	**62.1**	60.8
	144.3	**2.3**	**71.5**	**9.8**	**-**	**83.6**	**57.9**
Gross carrying amount	**33,007.5**	6.4	206.0	27.9	-	**240.3**	0.7
Loss allowance	**(21.6)**	(0.1)	(5.2)	(0.3)	-	**(5.6)**	25.9
	32,985.9	**6.3**	**200.8**	**27.6**	**-**	**234.7**	**0.7**

45. Credit risk (continued)

Group – 2024	Total £m	Capitalisation £m	Reduced Payment £m	Transfer to interest only £m	Term Extension £m	Total renegotiations	
						£m	%
Stage 1							
Not past due	30,067.3	0.3	27.8	6.0	-	34.1	0.1
	30,067.3	0.3	27.8	6.0	-	34.1	0.1
Stage 2							
Not past due	224.2	0.2	24.0	7.9	-	32.1	14.3
Past due up to 30 days	72.5	-	29.4	0.6	-	30.0	41.4
Over 30 days past due	62.1	0.3	24.4	1.4	-	26.1	42.0
	358.8	0.5	77.8	9.9	-	88.2	24.6
Stage 3							
Not past due	13.8	1.1	3.2	0.2	-	4.5	32.6
Past due up to 90 days	18.0	0.2	8.9	2.0	-	11.1	61.7
Over 90 days past due	84.9	0.2	46.8	5.9	-	52.9	62.3
	116.7	1.5	58.9	8.1	-	68.5	58.7
Gross carrying amount	30,542.8	2.3	164.5	24.0	-	190.8	0.6
Loss allowance	(13.5)	(0.3)	(3.8)	(0.2)	-	(4.3)	31.9
	30,529.3	2.0	160.7	23.8	-	186.5	0.6

Society - 2025	Total £m	Capitalisation £m	Reduced Payment £m	Transfer to interest only £m	Term Extension £m	Total renegotiations	
						£m	%
Stage 1							
Not past due	**30,212.1**	-	-	-	-	**-**	-
	30,212.1	**-**	**-**	**-**	**-**	**-**	**-**
Stage 2							
Not past due	**465.1**	3.2	64.3	14.2	-	**81.7**	17.6
Past due up to 30 days	**101.9**	0.3	43.3	1.6	-	**45.2**	44.4
Over 30 days past due	**70.2**	-	24.4	2.2	-	**26.6**	37.9
	637.2	**3.5**	**132.0**	**18.0**	**-**	**153.5**	**24.1**
Stage 3							
Not past due	**19.8**	1.5	7.8	0.2	-	**9.5**	48.0
Past due up to 90 days	**22.3**	0.1	9.8	2.1	-	**12.0**	53.8
Over 90 days past due	**99.8**	0.7	53.9	7.5	-	**62.1**	62.2
	141.9	**2.3**	**71.5**	**9.8**	**-**	**83.6**	**58.9**
Gross carrying amount	**30,991.2**	5.8	203.5	27.8	-	**237.1**	0.8
Loss allowance	**(20.9)**	(0.1)	(5.2)	(0.3)	-	**(5.6)**	26.8
	30,970.3	**5.7**	**198.3**	**27.5**	**-**	**231.5**	**0.7**

45. Credit risk (continued)

Society - 2024	Total £m	Capitalisation £m	Reduced Payment £m	Transfer to interest only £m	Term Extension £m	Total renegotiations	
						£m	%
Stage 1							
Not past due	**28,046.0**	0.3	27.8	6.0	-	**34.1**	0.1
	28,046.0	**0.3**	**27.8**	**6.0**	**-**	**34.1**	**0.1**
Stage 2							
Not past due	**220.4**	0.2	22.3	5.7	-	**28.2**	12.8
Past due up to 30 days	**70.6**	-	29.4	0.6	-	**30.0**	42.5
Over 30 days past due	**59.3**	0.3	24.4	1.4	-	**26.1**	44.0
	350.3	**0.5**	**76.1**	**7.7**	**-**	**84.3**	**24.1**
Stage 3							
Not past due	**13.8**	1.1	3.2	0.2	-	**4.5**	32.6
Past due up to 90 days	**18.0**	0.2	8.9	2.0	-	**11.1**	61.7
Over 90 days past due	**81.7**	0.2	46.8	5.9	-	**52.9**	64.7
	113.5	**1.5**	**58.9**	**8.1**	**-**	**68.5**	**60.4**
Gross carrying amount	**28,509.8**	2.3	162.8	21.8	-	**186.9**	0.7
Loss allowance	**(12.8)**	(0.3)	(3.8)	(0.2)	-	**(4.3)**	33.6
	28,497.0	**2.0**	**159.0**	**21.6**	**-**	**182.6**	**0.6**

Collateral

Collateral held consists of residential properties. The use of such collateral is in line with terms that are usual and customary to standard lending activities.

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market prices or indices of similar assets.

Fair value of capped collateral held

Some properties in the Group's mortgage book are in negative equity, which increases the possibility of the Group incurring a loss if the property is taken into possession.

£m	Group		Society	
	2025	2024	2025	2024
Stage 1	**32,206.7**	30,059.9	**30,204.9**	28,041.6
Stage 2	**646.1**	358.4	**636.8**	350.0
Stage 3	**143.6**	115.8	**141.2**	112.6
	32,996.4	30,534.1	**30,982.9**	28,504.2
Gross loan balances	**33,007.5**	30,542.8	**30,991.2**	28,509.8
Negative equity	**11.1**	8.7	**8.3**	5.6
Capped collateral held in respect of possessions (included in stage 3 above)	**2.8**	2.9	**2.8**	2.9

The fair value of residential property used to derive the figures in the table above is determined by reference to a recognised house price index. Movements in this index to the reporting date are applied to all properties in the portfolio on a regional basis. For the majority of the Group's loans, the Group holds excess collateral however this cannot be used to offset those instances where the loan amount exceeds the collateral held. The fair value of capped collateral in the table above therefore represents, on an individual loan basis, the lower of the value of the property and the outstanding loan amount. It does not reflect the overall value of properties against which the loans are secured. The total fair value of collateral held in respect of residential mortgages for the Group at 31 December 2025 is £67,624.3m (2024: £66,203.5m) and for the Society is £63,600.6m (2024: £62,133.0m).

45. Credit risk (continued)

At 31 December 2025 the contractual amount outstanding on loans written off during the year due to there being no reasonable expectation of recovery, but which remain subject to enforcement activity, is £0.8m (2024: £0.7m) for the Group and for the Society.

ii) Commercial mortgages

The commercial mortgage portfolio (also known as loans fully secured on land) is currently closed to new business.

The tables below provide information on commercial loans by payment due status.

Group & Society £m	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	74.6	2.6	2.7	79.9	93.9	0.4	11.3	105.6
Up to 30 days	-	2.8	-	2.8	-	2.3	-	2.3
31 to 60 days	-	2.7	-	2.7	-	2.1	-	2.1
61 to 90 days	-	1.0	-	1.0	-	1.1	0.7	1.8
Over 90 days	-	-	5.8	5.8	-	-	2.5	2.5
Total	**74.6**	**9.1**	**8.5**	**92.2**	93.9	5.9	14.5	114.3

The table below provides information on movements in the gross carrying amount of commercial loans during the year.

Group & Society £m	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January	93.9	5.9	14.5	**114.3**	91.0	37.8	6.4	135.2
Transfers due to changes in credit risk (note A):								
From stage 1 to stage 2	(2.5)	2.5	-	-	(1.1)	1.1	-	-
From stage 1 to stage 3	(2.0)	-	2.0	-	(1.4)	-	1.4	-
From stage 2 to stage 1	0.1	(0.1)	-	-	19.2	(19.2)	-	-
From stage 2 to stage 3	-	(0.8)	0.8	-	-	(3.4)	3.4	-
From stage 3 to stage 1	0.8	-	(0.8)	-	-	-	-	-
Modification of contractual cashflows	(3.2)	2.3	0.5	**(0.4)**	0.8	(8.0)	6.8	(0.4)
Decrease due to derecognition and repayments	(12.5)	(0.7)	(7.2)	**(20.4)**	(14.6)	(2.4)	(3.1)	(20.1)
Written off	-	-	(1.3)	**(1.3)**	-	-	(0.4)	(0.4)
Gross carrying amount at 31 December	**74.6**	**9.1**	**8.5**	**92.2**	93.9	5.9	14.5	114.3

Note

A. For the purposes of the analysis presented above, the amounts shown for 'transfers due to changes in credit risk' are based on account balances at the start of the reporting period (not account balances at the date of transfer).

45. Credit risk (continued)

Gains and losses arising during the year from loan modifications that did not result in derecognition were not significant. Amounts written off are in accordance with the Group's accounting policy for write-offs (see Note 1h)).

For commercial loans, stage 3 loans which no longer meet any of the default criteria are subject to a three month minimum probation period before they become eligible for transfer out of stage 3. At 31 December 2025, stage 3 loans include £0.1m being held in stage 3 under this probation period (2024: £nil).

The table below provides information on movements in the impairment loss allowance for commercial loans during the year.

Group & Society £m	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance at 1 January	0.2	0.2	4.3	**4.7**	0.6	6.6	1.8	**9.0**
Transfers due to changes in credit risk:								
From stage 1 to stage 2	-	0.1	-	**0.1**	-	-	-	-
From stage 1 to stage 3	-	-	0.6	**0.6**	-	-	-	-
From stage 2 to stage 1	-	-	-	**-**	-	(1.9)	-	**(1.9)**
From stage 2 to stage 3	-	-	-	**-**	-	(0.4)	0.4	-
Remeasurements within existing stage	0.2	-	0.1	**0.3**	(0.3)	(0.1)	-	**(0.4)**
Decrease due to derecognition and repayments	-	-	(0.1)	**(0.1)**	(0.1)	(0.9)	(1.1)	**(2.1)**
Changes due to modification without derecognition	-	-	(0.1)	**(0.1)**	-	(3.1)	3.3	**0.2**
Written off	-	-	(2.9)	**(2.9)**	-	-	(0.1)	**(0.1)**
Loss allowance at 31 December	**0.4**	**0.3**	**1.9**	**2.6**	0.2	0.2	4.3	4.7
ECL coverage (%)	**0.54%**	**3.30%**	**22.35%**	**2.82%**	0.21%	3.39%	29.66%	4.11%

Given the size and nature of the Group's commercial portfolio, it is not meaningful to manage credit risk by reference to behavioural scores or PD percentages. Credit risk is predominantly managed by individual review of loans in accordance with certain criteria. To aid an understanding of significant credit risk concentrations for the Group's commercial portfolio, the tables below provide analyses of loans by industry type, by geography and by loan-to-value percentage.

Group & Society (£m)	2025				2024			
Industry analysis	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Leisure and hotels	5.7	0.5	-	**6.2**	6.4	0.6	5.1	**12.1**
Retail	1.9	0.3	0.2	**2.4**	2.1	0.3	0.2	**2.6**
Nursing/residential homes	1.6	-	-	**1.6**	1.7	-	2.2	**3.9**
Offices	1.1	-	-	**1.1**	1.2	-	-	**1.2**
Commercial and industrial units	63.8	8.3	8.3	**80.4**	81.9	5.0	7.0	**93.9**
Miscellaneous	0.5	-	-	**0.5**	0.6	-	-	**0.6**
Total	**74.6**	**9.1**	**8.5**	**92.2**	93.9	5.9	14.5	**114.3**

45. Credit risk (continued)

Group & Society (£m)	2025				2024			
Geographical analysis (Region)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
North	1.3	1.7	-	**3.0**	2.9	0.3	-	3.2
Yorkshire	3.7	0.5	1.1	**5.3**	6.2	0.3	5.7	12.2
East Midlands	2.1	-	2.2	**4.3**	3.2	-	2.3	5.5
East Anglia	8.4	0.1	0.1	**8.6**	9.6	0.1	-	9.7
London	19.0	2.9	1.2	**23.1**	22.8	2.1	0.7	25.6
South East	12.4	1.6	0.4	**14.4**	15.5	1.2	-	16.7
South West	11.2	-	0.4	**11.6**	12.0	0.4	0.4	12.8
West Midlands	5.3	1.1	0.3	**6.7**	7.0	0.6	2.3	9.9
North West	8.7	1.2	2.0	**11.9**	10.5	0.9	2.1	13.5
Wales	2.3	-	0.5	**2.8**	2.4	-	0.7	3.1
Scotland	0.2	-	0.3	**0.5**	1.8	-	0.3	2.1
Total	**74.6**	**9.1**	**8.5**	**92.2**	93.9	5.9	14.5	114.3

Group & Society (£m)	2025				2024			
Loan-to-value	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<40%	24.4	2.5	1.2	**28.1**	27.4	1.0	2.0	30.4
40% - 50%	12.7	1.4	1.2	**15.3**	18.5	1.1	0.6	20.2
50% - 60%	14.3	1.2	-	**15.5**	16.6	1.2	1.2	19.0
60% - 70%	5.1	1.9	0.2	**7.2**	6.3	1.4	0.1	7.8
70% - 80%	6.0	0.9	-	**6.9**	7.4	0.5	1.3	9.2
80% - 90%	8.7	1.2	0.8	**10.7**	9.3	0.3	-	9.6
90% - 100%	2.2	-	-	**2.2**	5.4	0.4	-	5.8
>100%	1.2	-	5.1	**6.3**	3.0	-	9.3	12.3
Total	**74.6**	**9.1**	**8.5**	**92.2**	93.9	5.9	14.5	114.3

Forbearance

The Group's policy on forbearance for commercial mortgages is the same as the policy for residential mortgages, which is set out in Note 45a)(i).

At 31 December 2025 the balance of commercial mortgages where the property has been taken into possession was £0.1m for the Group and Society (2024: £nil). Possessions balances are classified as stage 3.

The tables below provide further information on commercial mortgages regarded as being in forbearance as at 31 December 2025, showing the type of account renegotiations applied. The tables below are presented on the same basis as the corresponding tables for residential mortgages, the basis for which is described on pages 259 and 260.

45. Credit risk (continued)

Group & Society	2025					
	Total £m	Capitalisation £m	Reduced Payment £m	Transfer to interest only £m	Total renegotiations	
					£m	%
Stage 1						
Not past due	74.6	-	-	-	-	-
	74.6	**-**	**-**	**-**	**-**	**-**
Stage 2						
Not past due	2.6	0.8	0.9	0.9	**2.6**	100.0
Past due up to 30 days	2.8	-	0.3	-	**0.3**	10.7
Over 30 days past due	3.7	0.8	-	-	**0.8**	21.6
	9.1	**1.6**	**1.2**	**0.9**	**3.7**	**40.7**
Stage 3						
Not past due	2.7	-	0.1	1.2	**1.3**	48.1
Past due up to 90 days	-	-	-	-	**-**	-
Over 90 days past due	5.8	-	1.0	2.8	**3.8**	65.5
	8.5	**-**	**1.1**	**4.0**	**5.1**	**60.0**
Gross carrying amount	92.2	1.6	2.3	4.9	**8.8**	9.5
Loss allowance	(2.6)	(0.1)	(0.1)	(0.7)	**(0.9)**	34.6
	89.6	**1.5**	**2.2**	**4.2**	**7.9**	**8.8**

Group & Society	2024					
	Total £m	Capitalisation £m	Reduced Payment £m	Transfer to interest only £m	Total renegotiations	
					£m	%
Stage 1						
Not past due	93.9	0.9	0.4	0.5	**1.8**	1.9
	93.9	**0.9**	**0.4**	**0.5**	**1.8**	**1.9**
Stage 2						
Not past due	0.4	-	-	0.4	**0.4**	100.0
Past due up to 30 days	2.3	-	-	0.1	**0.1**	4.3
Over 30 days past due	3.2	0.9	0.5	-	**1.4**	43.8
	5.9	**0.9**	**0.5**	**0.5**	**1.9**	**32.2**
Stage 3						
Not past due	11.3	-	-	8.4	**8.4**	74.3
Past due up to 90 days	0.7	-	-	-	**-**	-
Over 90 days past due	2.5	-	0.6	0.7	**1.3**	52.0
	14.5	**-**	**0.6**	**9.1**	**9.7**	**66.9**
Gross carrying amount	114.3	1.8	1.5	10.1	**13.4**	11.7
Loss allowance	(4.7)	-	-	(3.8)	**(3.8)**	80.9
	109.6	**1.8**	**1.5**	**6.3**	**9.6**	**8.8**

Collateral

The collateral held consists of properties held within the categories previously outlined. The use of such collateral is in line with terms that are usual and customary to standard lending activities.

Fair value of capped collateral held

An analysis of capped collateral, where the collateral is capped to the lower of the value of the property and the amount outstanding on an individual loan basis, is shown below.

45. Credit risk (continued)

Group & Society (£m)	2025	2024
Stage 1	**74.4**	93.2
Stage 2	**9.1**	5.9
Stage 3	**7.0**	12.3
Total	**90.5**	111.4
Gross loan balances	**92.2**	114.3
Negative equity	**1.7**	2.9
Capped collateral held in respect of possessions (included within stage 3 above)	**0.1**	-

The fair value of commercial property used to derive the figures in the table above is determined by reference to the latest external valuation of the properties in question. The total fair value of collateral held in respect of commercial loans for the Group and the Society at 31 December 2025 is £236.8m (2024: £270.5m).

At 31 December 2025 the contractual amount outstanding on loans written off during the year due to there being no reasonable expectation of recovery, but which remain subject to enforcement activity, is £0.2m (2024: £0.2m) for the Group and the Society.

iii) Other lending

Other lending comprises the following:

Group £m	2025			2024		
	Gross carrying amount	ECL Allowance	Net carrying amount	Gross carrying amount	ECL allowance	Net carrying amount
Debt factoring advances	**200.6**	(1.4)	**199.2**	190.0	(1.4)	**188.6**
Other loans	**45.3**	-	**45.3**	48.2	-	**48.2**
Total	**245.9**	**(1.4)**	**244.5**	238.2	(1.4)	236.8

The table below provides information on movements in the gross carrying amount of other loans and advances during the year.

Group £m	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January	**234.5**	**2.3**	**1.4**	**238.2**	219.6	4.3	0.5	**224.4**
Transfers due to changes in credit risk (note A):								
From stage 1 to stage 2	**(1.1)**	**1.1**	**-**	**-**	(3.4)	3.4	-	-
From stage 1 to stage 3	**-**	**-**	**-**	**-**	(0.4)	-	0.4	-
From stage 2 to stage 1	**1.0**	**(1.0)**	**-**	**-**	2.3	(2.3)	-	-
From stage 2 to stage 3	**-**	**(0.7)**	**0.7**	**-**	-	(1.6)	1.6	-
From stage 3 to stage 2	**-**	**1.0**	**(1.0)**	**-**	-	0.3	(0.3)	-
From stage 3 to stage 1	**0.4**	**-**	**(0.4)**	**-**	0.3	-	(0.3)	-
Modification of contractual cashflows	**-**	**-**	**-**	**-**	-	-	-	-
Increases due to origination	**68.8**	**-**	**-**	**68.8**	74.2	-	-	**74.2**
Decrease due to derecognition and repayments	**(60.3)**	**(0.5)**	**-**	**(60.8)**	(58.1)	(1.8)	-	**(59.9)**
Write-offs	**-**	**-**	**(0.3)**	**(0.3)**	-	-	(0.6)	**(0.6)**
Other movements	**-**	**-**	**-**	**-**	-	-	0.1	**0.1**
Gross carrying amount at 31 December	**243.3**	**2.2**	**0.4**	**245.9**	234.5	2.3	1.4	238.2

Note:

A. For the purposes of the analysis presented above, the amounts shown for 'transfers due to changes in credit risk' are based on account balances at the end of the reporting period (not account balances at the date of transfer).

45. Credit risk (continued)

The table below provides information on movements in the impairment loss allowance for other loans and advances during the year.

Group £m	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance at 1 January	**0.2**	**0.6**	**0.6**	**1.4**	0.2	1.1	0.3	**1.6**
Transfers due to changes in credit risk:								
From stage 1 to stage 2	-	0.9	-	**0.9**	(0.1)	1.0	-	**0.9**
From stage 2 to stage 1	-	(0.2)	-	**(0.2)**	-	(0.3)	-	**(0.3)**
From stage 2 to stage 3	-	(0.7)	0.7	**-**	-	(1.0)	1.0	-
From stage 3 to stage 2	-	0.6	(0.6)	**-**	-	-	-	-
From stage 3 to stage 1	-	-	-	**-**	0.1	-	(0.1)	-
Remeasurements within existing stage	0.1	(0.5)	-	**(0.4)**	-	(0.2)	-	**(0.2)**
Write-offs	-	-	(0.3)	**(0.3)**	-	-	(0.6)	**(0.6)**
Loss allowance at 31 December	**0.3**	**0.7**	**0.4**	**1.4**	0.2	0.6	0.6	1.4

Debt factoring advances

Debt factoring advances relate to amounts advanced to clients by SBF, the Group's debt factoring and invoice discounting business.

Credit risk is predominantly managed by rigorous due diligence controls and regular monitoring of client accounts, and includes the use of concentration limits, credit reference checks and 'watchlists' on clients' debtors. Advances are typically made to clients only against notified invoices that are less than 90 days past due.

Debt factoring and invoice discounting advances are typically secured via a legal charge against the relevant client's sales ledger. Additional security may also be taken in the form of an all assets debenture that may incorporate other unencumbered assets as well as personal guarantees. At 31 December 2025 and 31 December 2024, the fair value of the total collateral held by the Group against debt factoring and invoice discounting advances was in excess of the value of the total advances outstanding.

Other loans

The table below provides information on the gross carrying amount of other loans by payment due status.

Group £m	2025			2024		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Not past due	45.2	-	**45.2**	48.2	-	**48.2**
Up to 30 days	-	0.1	**0.1**	-	-	-
Total	**45.2**	**0.1**	**45.3**	48.2	-	48.2

Other loans of £44.8m (2024: £48.2m), at a Group level, were advanced by SIL to customers in respect of residential properties owned by a property management holding company. The loans are secured on shares in that property management holding company and the fair value of the total collateral held is £94.1m (2024: £99.7m).

b) Credit risk – balances with the Bank of England, debt securities and loans and advances to credit institutions

The Group holds treasury investments in order to meet liquidity requirements and for general business purposes. The credit risk arising from these investments is closely monitored and managed by the Group.

Collateral held for treasury assets is determined by the nature of the instrument. Loans and debt securities are generally unsecured with the exception of asset backed securities and covered bonds which are secured by pools of financial assets. For details of collateral held against debt securities see Note 14. For details of collateral held against loans and advances to credit institutions see Note 13. No collateral is held against balances with the Bank of England.

45. Credit risk (continued)

At 31 December 2025 none of the Group or the Society's treasury assets were past due (2024: none past due). At 31 December 2025 the ECLs on the Group and the Society's treasury assets were all held as stage 1 (2024: all stage 1).

At 31 December 2025 and 31 December 2024, all the Group and the Society's treasury investments, except for building society deposits (2025: £nil; 2024: £0.1m) and certain collateral held (2025: £nil: 2024: £0.1m), were assessed to have a probability of default (PD) of less than 3.5% (2024: 0.11%).

The Group's accounting policies on impairment losses on treasury assets and how the Group assesses ECLs and PDs on treasury assets are detailed in Note 1h).

At 31 December 2025 over 99.9% (2024: 99.9%) of the Group's treasury investment assets (including cash in hand and with the Bank of England and excluding exposures to a central clearing house used to clear derivatives to manage interest rate risk in line with regulation) were rated A3 or better, and for the Society over 99.9% (2024: 99.9%) were rated A3 or better. The table below provides further details of the credit ratings for both the Group and the Society's treasury investment portfolios:

Rating	Group				Society			
	2025 £m	2025 %	2024 £m	2024 %	2025 £m	2025 %	2024 £m	2024 %
Aaa	**2,818.1**	**47.1**	2,429.6	36.3	**3,040.5**	**51.2**	2,666.1	40.0
Aa1	**212.6**	**3.6**	268.2	4.0	**179.2**	**3.0**	268.2	4.0
Aa2	**0.1**	**-**	0.1	-	**-**	**-**	-	-
Aa3	**2,611.1**	**43.6**	3,605.1	53.8	**2,416.1**	**40.7**	3,336.4	50.0
A1	**85.3**	**1.4**	117.3	1.8	**40.9**	**0.7**	72.1	1.1
A2	**1.1**	**-**	1.0	-	**-**	**-**	-	-
Unrated	**254.6**	**4.3**	273.5	4.1	**263.6**	**4.4**	325.7	4.9
Total	**5,982.9**	**100.0**	6,694.8	100.0	**5,940.3**	**100.0**	6,668.5	100.0

'Unrated' in the above analysis includes an exposure to a central clearing house totalling £254.6m for the Group and Society (2024: £273.3m) used to clear derivatives to manage interest rate risk, as required by regulation, together with an exposure to subsidiary undertakings in the form of Credit Support Annex (CSA) collateral for the Society only, totalling £9.0m (2024: £52.2m).

The Group also monitors exposure concentrations against a variety of criteria including industry sector / asset class and country of risk.

Industry sector / asset class	Group				Society			
	2025 £m	2025 %	2024 £m	2024 %	2025 £m	2025 %	2024 £m	2024 %
Cash in hand and balances with the Bank of England	**1,360.2**	**22.7**	1,930.6	28.9	**1,360.2**	**22.9**	1,930.6	29.0
Loans and advances to banks and building societies	**353.3**	**5.9**	414.6	6.2	**304.7**	**5.1**	397.8	6.0
Gilts	**500.5**	**8.4**	1,086.5	16.2	**500.5**	**8.4**	1,086.5	16.3
Certificates of deposit	**-**	**-**	-	-	**-**	**-**	-	-
Fixed rate bonds	**1,552.0**	**26.0**	1,274.9	19.0	**1,552.0**	**26.2**	1,274.9	19.1
Floating rate notes	**11.0**	**0.2**	-	-	**-**	**-**	-	-
Treasury bills	**733.4**	**12.9**	598.2	8.9	**557.0**	**9.4**	321.2	4.8
Covered bonds	**813.5**	**13.6**	770.1	11.5	**813.5**	**13.7**	770.1	11.5
Residential mortgage backed securities	**619.0**	**10.3**	619.9	9.3	**852.4**	**14.3**	887.4	13.3
Total	**5,982.9**	**100.0**	6,694.8	100.0	**5,940.3**	**100.0**	6,668.5	100.0

45. Credit risk (continued)

Geographical exposure (Region)	Group				Society			
	2025 £m	2025 %	2024 £m	2024 %	2025 £m	2025 %	2024 £m	2024 %
UK	**4,344.1**	**72.7**	5,331.5	79.7	**4,388.2**	**73.8**	5,393.6	81.0
Rest of Europe	**419.7**	**7.0**	327.9	4.9	**389.7**	**6.6**	293.3	4.4
Supranationals:								
Europe	**226.7**	**3.8**	122.4	1.8	**215.6**	**3.6**	122.4	1.8
Global	**504.5**	**8.4**	528.4	7.9	**504.5**	**8.5**	528.4	7.9
Africa	**56.1**	**0.9**	28.4	0.4	**56.1**	**0.9**	28.4	0.4
Asia	**163.4**	**2.7**	135.2	2.0	**163.4**	**2.8**	135.2	2.0
South America	**145.8**	**2.4**	117.7	1.8	**145.8**	**2.5**	117.7	1.8
North America	**118.8**	**2.0**	100.2	1.5	**77.0**	**1.3**	49.5	0.7
Rest of World	**3.8**	**0.1**	3.1	-	**-**	**-**	-	-
Total	**5,982.9**	**100.0**	6,694.8	100.0	**5,940.3**	**100.0**	6,668.5	100.0

c) Credit risk – trade receivables

The tables below provide information on movements in trade receivables during the year.

As outlined in Note 1h), the Group's accounting policy for trade receivables is to always recognise lifetime ECLs in accordance with the simplified approach in IFRS 9. Trade receivables are therefore not allocated to ECL stages.

£m	Group		Society	
	2025	2024	2025	2024
Gross carrying amount	**76.3**	71.0	**1.5**	1.9
Loss allowance	**(2.7)**	(2.2)	**-**	-
Net carrying amount	**73.6**	68.8	**1.5**	1.9

£m	Group		Society	
	2025	2024	2025	2024
Loss allowance at 1 January	**2.2**	2.4	**-**	-
Net allowances made during the year	**1.4**	0.8	**0.1**	-
Write-offs	**(0.9)**	(1.0)	**(0.1)**	-
Loss allowance at 31 December	**2.7**	2.2	**-**	-

The table below provides information on the gross carrying amount of trade receivables by payment due status.

£m	Group		Society	
	2025	2024	2025	2024
Not past due	42.6	38.3	-	-
Up to 30 days past due	18.1	19.5	0.6	0.5
31 to 120 days past due	10.1	9.5	0.5	1.0
Over 120 days past due	5.5	3.7	0.4	0.4
Total	**76.3**	71.0	**1.5**	1.9

No collateral is held against trade receivables. At 31 December 2025 the contractual amount outstanding on trade receivables written off during the year due to there being no reasonable expectation of recovery, but which remain subject to enforcement activity, is £nil (2024: £nil) for the Group and £nil (2024: £nil) for the Society.

45. Credit risk (continued)

d) Credit risk – derivative financial instruments

A credit exposure could arise in respect of derivative contracts entered into by the Group if the counterparty was unable to fulfil its contractual obligations. The Group addresses the risks associated with these activities by monitoring counterparty credit exposure and requiring additional collateral to be posted or returned as necessary. For all but one derivative, the only form of collateral accepted by the Group in respect of derivatives is cash. Derivatives are either transacted under International Swaps and Derivatives Association (ISDA) Master Agreements or Cleared Derivatives Execution Agreements. For swaps that are cash collateralised, no Credit (CVA) or Debit (DVA) Value Adjustments have been made in respect of credit risk in determining the fair value of these derivatives as the risk is significantly mitigated. Credit Support Annexes executed with certain counterparties in conjunction with the ISDA Master Agreement require collateral to be posted regularly, as required by specific terms and conditions of the arrangements. Due to the frequency of the posting of collateral, there is no material exposure from these minimal timing differences that would require CVA or DVA adjustments. At 31 December 2025 the Group held one derivative (2024: one) that is not fully collateralised for cash; CVA and DVA adjustments are made to the valuation of this derivative.

Netting arrangements do not necessarily result in an offset of Statement of Financial Position (SoFP) assets and liabilities, as transactions are usually settled on a gross basis. The Group's legal documentation for derivative transactions does grant legal rights of set-off for those transactions with the same counterparty. Accordingly, the credit risk associated with such contracts is reduced to the extent that negative mark to market valuations on derivatives will offset positive mark to market values on derivatives. The following tables provide further detail on the net exposure to derivative transaction counterparties.

Group £m	2025			
	As reported within SoFP	Netting agreements	Cash collateral	Net amounts after offsetting
Financial assets				
Derivative financial instruments	**350.8**	**(180.5)**	**(141.5)**	**28.8**
Financial liabilities				
Derivative financial instruments	**186.2**	**(180.5)**	**(5.7)**	**-**

Group £m	2024			
	As reported within SoFP	Netting agreements	Cash collateral	Net amounts after offsetting
Financial assets				
Derivative financial instruments	752.1	(204.2)	(557.3)	-
Financial liabilities				
Derivative financial instruments	225.1	(204.2)	(18.1)	2.8

Society £m	2025			
	As reported within SoFP	Netting agreements	Cash collateral	Net amounts after offsetting
Financial assets				
Derivative financial instruments	**333.1**	**(189.4)**	**(141.3)**	**2.4**
Financial liabilities				
Derivative financial instruments	**205.0**	**(189.4)**	**(14.6)**	**1.0**

45. Credit risk (continued)

Society £m	2024			
	As reported within SoFP	Netting agreements	Cash collateral	Net amounts after offsetting
Financial assets				
Derivative financial instruments	**743.0**	**(208.3)**	**(557.3)**	**-**
Financial liabilities				
Derivative financial instruments	**282.2**	**(208.3)**	**(70.4)**	**3.5**

In respect of derivative assets, there is £28.8m (2024: £nil) for the Group, and £2.4m (2024: £nil) for the Society, after offsetting between the value of the derivatives and the cash collateral held. At a Group level, this predominantly relates to the collateral arrangements for the one cross currency derivative held by the Group where collateral is not required to be posted up to a threshold. In 2024, the cross currency derivative was in a net liability position.

In respect of derivative liabilities, there is a net amount after offsetting of £nil (2024: £2.8m) for the Group, and £1.0m (2024: £3.5m) for the Society, between the value of the derivatives and the cash collateral pledged.

46. Fair Values

a) Classification and measurement

The tables below summarise the classification of the carrying amounts of the Group's and Society's financial assets and liabilities:

Group £m	2025				2024			
	Amortised cost	FVOCI	FVTPL	Total	Amortised cost	FVOCI	FVTPL	Total
Cash in hand and balances with the Bank of England	**1,360.2**	-	-	**1,360.2**	1,930.6	-	-	1,930.6
Loans and advances to credit institutions	**353.3**	-	-	**353.3**	414.6	-	-	414.6
Debt securities	-	**4,269.4**	-	**4,269.4**	-	4,349.6	-	4,349.6
Derivative financial Instruments	-	-	**350.8**	**350.8**	-	-	752.1	752.1
Loans and advances to customers	**33,378.9**	-	**0.8**	**33,379.7**	30,601.1	-	0.9	30,602.0
Equity release portfolio	-	-	**263.1**	**263.1**	-	-	277.2	277.2
Equity share investments	-	-	**18.3**	**18.3**	-	-	16.9	16.9
Trade receivables	**73.6**	-	-	**73.6**	68.8	-	-	68.8
Share warrants	-	-	-	**-**	-	-	21.9	21.9
Loan to defined benefit pension scheme	-	-	**10.9**	**10.9**	-	-	-	-
Other assets	-	-	-	**-**	0.1	-	-	0.1
Total financial assets	**35,166.0**	**4,269.4**	**643.9**	**40,079.3**	33,015.2	4,349.6	1,069.0	38,433.8
Other non-financial assets				**664.9**				581.5
Total assets				**40,744.2**				39,015.3
Shares	**30,526.3**	-	-	**30,526.3**	28,268.5	-	-	28,268.5
Amounts owed to credit institutions and other customers	**3,046.8**	-	-	**3,046.8**	4,350.7	-	-	4,350.7
Debt securities in issue	**3,361.9**	-	-	**3,361.9**	2,435.3	-	-	2,435.3
Derivative financial Instruments	-	-	**186.2**	**186.2**	-	-	225.1	225.1
Lease liabilities	**110.3**	-	-	**110.3**	92.1	-	-	92.1
Trade payables	**14.4**	-	-	**14.4**	11.0	-	-	11.0
Fair value of put option obligation	-	-	**1.0**	**1.0**	-	-	4.1	4.1
Subordinated liabilities	**356.0**	-	-	**356.0**	690.2	-	-	690.2
Subscribed capital	**15.2**	-	-	**15.2**	41.6	-	-	41.6
Total financial liabilities	**37,430.9**	**-**	**187.2**	**37,618.1**	35,889.4	-	229.2	36,118.6
Other non-financial liabilities				**261.5**				229.3
Total liabilities				**37,879.6**				36,347.9

46. Fair values (continued)

Society £m	2025				2024			
	Amortised cost	FVOCI	FVTPL	Total	Amortised cost	FVOCI	FVTPL	Total
Cash in hand and balances with the Bank of England	1,360.2	-	-	**1,360.2**	1,930.6	-	-	1,930.6
Loans and advances to credit institutions	304.7	-	-	**304.7**	397.8	-	-	397.8
Debt securities	-	4,201.9	73.5	**4,275.4**	-	4,269.8	70.3	4,340.1
Derivative financial instruments	-	-	333.1	**333.1**	-	-	743.0	743.0
Loans and advances to customers	31,121.3	-	0.8	**31,122.1**	28,334.9	-	0.9	28,335.8
Equity release portfolio	-	-	263.1	**263.1**	-	-	277.2	277.2
Loans to subsidiary undertakings	454.7	-	-	**454.7**	403.9	-	-	403.9
Trade receivables	1.5	-	-	**1.5**	1.9	-	-	1.9
Loan to defined benefit pension scheme	-	-	10.9	**10.9**	-	-	-	-
Total financial assets	**33,242.4**	**4,201.9**	**681.4**	**38,125.7**	31,069.1	4,269.8	1,091.4	36,430.3
Other non-financial assets				**201.2**				198.0
Total assets				**38,326.9**				36,628.3
Shares	30,524.3	-	-	**30,524.3**	28,254.1	-	-	28,254.1
Amounts owed to credit institutions and other customers	1,685.0	-	-	**1,685.0**	3,069.5	-	-	3,069.5
Debt securities in issue	2,955.0	-	-	**2,955.0**	1,930.1	-	-	1,930.1
Derivative financial Instruments	-	-	205.0	**205.0**	-	-	282.2	282.2
Lease liabilities	8.2	-	-	**8.2**	8.6	-	-	8.6
Trade payables	3.4	-	-	**3.4**	2.8	-	-	2.8
Subordinated liabilities	356.0	-	-	**356.0**	690.2	-	-	690.2
Subscribed capital	15.2	-	-	**15.2**	41.6	-	-	41.6
Total financial liabilities	**35,547.1**	**-**	**205.0**	**35,752.1**	33,996.9	-	282.2	34,279.1
Other non-financial liabilities				**46.7**				43.8
Total liabilities				**35,798.8**				34,322.9

All financial assets and liabilities in the tables above that are held as at FVTPL are mandatorily held as such.

As outlined in Note 21, during the year, non-current assets with a total carrying value of £3.7m (for the Group and Society) were reclassified as held for sale, and therefore presented separately within the Statement of Financial Position. In the above table, these amounts are included within 'Other non-financial assets'.

46. Fair values (continued)

b) Valuation of financial instruments carried at fair value

The Group holds certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy as explained below.

Valuation techniques

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs used in measuring fair value.

Level 1

The most reliable fair values of financial instruments are quoted market prices in an actively traded market. The Group's Level 1 portfolio mainly comprises the Group's debt securities, with the exception of certificates of deposits; for which traded prices are not readily available.

Level 2

These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed when no active market exists and quoted prices are available for similar instruments in active markets. Examples of Level 2 instruments are certificates of deposit and interest rate swaps.

Level 3

These are valuation techniques for which one or more significant inputs are not based on observable market data.

Valuation techniques include net present value by way of discounted cash flow models. Assumptions and market observable inputs used in valuation techniques include risk-free and benchmark interest rates, similar market products, foreign currency exchange rates and equity index prices. Critical judgement is applied by management in utilising unobservable inputs including expected price volatilities, expected mortality rates and prepayment rates, based on industry practice or historical observation. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants on an arm's-length basis.

Transfers between levels

The Group makes transfers between the different levels of the fair value hierarchy where the inputs used to measure the fair value of the financial instruments in question no longer satisfy the conditions required to be classified in a certain level within the hierarchy. Any such transfer between different levels of the fair value hierarchy is made at the date the event in question that results in a change in circumstances occurs.

There were no transfers between different levels of the fair value hierarchy during the year ended 31 December 2025 or the year ended 31 December 2024.

The following tables provide an analysis of financial assets and liabilities held within the Statement of Financial Position at fair value, grouped into Levels 1 to 3 of the fair value hierarchy.

46. Fair values (continued)

Group £m	2025				2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial assets held at FVOCI:								
Debt securities	4,269.4	-	-	**4,269.4**	4,349.6	-	-	4,349.6
Financial assets at FVTPL:								
Equity share investments	-	-	18.3	**18.3**	-	-	16.9	16.9
Derivative financial Instruments	-	335.2	15.6	**350.8**	-	736.8	15.3	752.1
Equity release portfolio	-	-	263.1	**263.1**	-	-	277.2	277.2
Loans and advances to customers	-	-	0.8	**0.8**	-	-	0.9	0.9
Share warrants	-	-	-	**-**	-	-	21.9	21.9
Loan to defined benefit pension scheme	-	-	10.9	**10.9**	-	-	-	-
	4,269.4	**335.2**	**308.7**	**4,913.3**	4,349.6	736.8	332.2	5,418.6
Financial liabilities								
Financial liabilities at FVTPL:								
Derivative financial Instruments	-	178.4	7.8	**186.2**	-	209.0	16.1	225.1
Fair value of put option Obligation	-	-	1.0	**1.0**	-	-	4.1	4.1
	-	**178.4**	**8.8**	**187.2**	-	209.0	20.2	229.2
	4,269.4	**156.8**	**299.9**	**4,726.1**	4,349.6	527.8	312.0	5,189.4

46. Fair values (continued)

Society £m	2025				2024 (restated*)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial assets held at FVOCI:								
Debt securities	4,201.9	-	-	**4,201.9**	4,269.8	-	-	4,269.8
Financial assets at FVTPL:								
Derivative financial Instruments	-	315.1	18.0	**333.1**	-	727.7	15.3	743.0
Debt securities*	-	-	73.5	**73.5**	-	-	70.3	70.3
Equity release portfolio	-	-	263.1	**263.1**	-	-	277.2	277.2
Loans and advances to customers	-	-	0.8	**0.8**	-	-	0.9	0.9
Loan to defined benefit pension scheme	-	-	10.9	**10.9**	-	-	-	-
	4,201.9	**315.1**	**366.3**	**4,883.3**	4,269.8	727.7	363.7	5,361.2
Financial liabilities								
Financial liabilities at FVTPL:								
Derivative financial Instruments	-	197.2	7.8	**205.0**	-	261.7	20.5	282.2
	-	**197.2**	**7.8**	**205.0**	-	261.7	20.5	282.2
	4,201.9	**117.9**	**358.5**	**4,678.3**	4,269.8	466.0	343.2	5,079.0

* The information shown above for the year ended 31 December 2024, and the information for the year ended 31 December 2024 within the table on page 279, is restated to reflect the appropriate presentation of 'Financial assets at FVTPL: Debt securities'. The valuation of these financial assets is determined using a discounted cashflow valuation model and is not based on observable market prices. Accordingly, all £70.3m of Debt securities (at FVTPL) are now classified as Level 3 financial assets, rather than Level 1. There is no impact on the overall total amount reported for the year ended 31 December 2024.

46. Fair values (continued)

The tables below analyse the movements in the Level 3 portfolio during the year:

Group 2025 £m	Equity share investments	Equity release portfolio	Loans and advances to customers	Derivative financial instruments	Fair value of put option obligation	Share warrants	Loan to defined benefit pension scheme	Total
At 1 January	16.9	277.2	0.9	(0.8)	(4.1)	21.9	-	**312.0**
Gain / (loss) recognised in Income Statement	0.4[A]	(14.5)[B]	-	8.1[C]	(0.2)[D]	5.6[E]	(2.2)[F]	**(2.8)**
Revaluations to goodwill	-	-	-	-	(0.8)	-	-	**(0.8)**
Accrued interest	-	5.7[G]	0.1[G]	0.5[G]	-	-	0.8[G]	**7.1**
Repayments	-	(4.0)	(0.2)	-	-	-	(2.3)	**(6.5)**
Realised losses	-	(1.3)[H]	-	-	-	-	-	**(1.3)**
Exercise of put options by non-controlling shareholders	-	-	-	-	4.2	-	-	**4.2**
Additions / Disposals / Other	1.0	-	-	-	(0.1)	(27.5)	14.6	**(12.0)**
At 31 December	**18.3**	**263.1**	**0.8**	**7.8**	**(1.0)**	**-**	**10.9**	**299.9**

Group 2024 £m	Equity share Investments	Equity release portfolio	Loans and advances to customers	Derivative financial instruments	Fair value of put option obligation	Share warrants	Total
At 1 January	10.5	293.3	0.9	(22.7)	(3.5)	15.1	293.6
Gain / (loss) recognised in Income Statement	1.1[A]	(12.6)[B]	-	21.9[C]	(0.3)[D]	5.9[E]	16.0
Revaluations to goodwill	-	-	-	-	(0.3)	-	(0.3)
Accrued interest	-	2.6[G]	0.1[G]		-	-	2.7
Repayments	-	(4.3)	(0.1)	-	-	-	(4.4)
Realised losses	-	(1.8)[H]	-	-	-	-	(1.8)
Additions / Disposals / Other	5.3	-	-	-	-	0.9	6.2
At 31 December	16.9	277.2	0.9	(0.8)	(4.1)	21.9	312.0

Notes

A. These are unrealised gains and are included in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'; as presented within Note 5 line 'Equity share investments'.

B. These are unrealised losses and are included in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'; as presented within Note 5 line 'Equity release portfolio'.

C. These are unrealised gains and are included in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'; as presented within Note 5 line 'Derivatives associated with equity release portfolio'.

D. Included in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'; as presented within Note 5 line 'Put options held by minority shareholders'.

E. Included in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'; as presented within Note 5 line 'Share warrants'.

F. Included in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'; as presented within Note 5 line 'Loan to defined benefit pension scheme'.

G. Included in the Income Statement line 'Interest receivable and similar income'.

H. Included in the Income Statement line 'Impairment and provisions'; as presented within Note 8 line 'Realised losses on equity release portfolio'.

46. Fair values (continued)

Society 2025 £m	Equity release portfolio	Loans and advances to customers	Derivative financial instruments	Debt securities	Loan to defined benefit pension scheme	Total
At 1 January	277.2	0.9	(5.2)	70.3	-	**343.2**
(Loss) / gain recognised in Income Statement	(14.5)[A]	-	14.9[B]	3.2[C]	(2.2)[D]	**1.4**
Accrued interest	5.7[E]	0.1[E]	0.5[E]	-	0.8[E]	**7.1**
Repayments	(4.0)	(0.2)	-	-	(2.3)	**(6.5)**
Realised losses	(1.3)[F]	-	-	-	-	**(1.3)**
Additions	-	-	-	-	14.6	**14.6**
At 31 December	**263.1**	**0.8**	**10.2**	**73.5**	**10.9**	**358.5**

Society 2024 (restated*) £m	Equity release portfolio	Loans and advances to customers	Derivative financial instruments	Debt securities*	Total
At 1 January	293.3	0.9	(34.2)	-	260.0
(Loss) / gain recognised in Income Statement	(12.6)[A]	-	29.0[B]	(4.0)[C]	12.4
Accrued interest	2.6[E]	0.1[E]	-	-	2.7
Repayments	(4.3)	(0.1)	-	-	(4.4)
Realised losses	(1.8)[F]	-	-	-	(1.8)
Additions	-	-	-	74.3	74.3
At 31 December	277.2	0.9	(5.2)	70.3	343.2

* The information shown above for the year ended 31 December 2024 is restated to reflect the appropriate presentation of 'Debt securities' – see page 277 for details.

Notes

A. Included in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'; as presented within Note 5 line 'Equity release portfolio'.

B. £8.1m (2024: £21.9m) is included in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'; as presented within Note 5 line 'Derivatives associated with equity release portfolio'. The remaining £6.8m (2024: £7.1m) is included in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'; as presented within Note 5 line 'Hedging instruments and hedged items'.

C. Included in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'; as presented within Note 5 line 'Other financial instruments'.

D. Included in the Income Statement line 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL'; as presented within Note 5 line 'Loan to defined benefit pension scheme'.

E. Included in the Income Statement line 'Interest receivable and similar income'.

F. Included in the Income Statement line 'Impairment and provisions'; as presented within Note 8 line 'Realised losses on equity release portfolio'.

46. Fair values (continued)

Equity share investments

The valuation of the Group's unlisted investments is typically regarded as a Level 3 valuation technique as certain inputs are not market observable. Further details of the Group's equity share investments are found in Note 20e).

Equity release portfolio

The valuation of the equity release portfolio is regarded as a Level 3 valuation technique as certain inputs into the valuation are not market observable. Further details on the valuation techniques used are found in Note 1f). Further details on the inputs into the valuation and the impact of reasonably possible alternative assumptions of certain inputs into the valuation of the portfolio are found in Note 1v).

Loans and advances to customers

The valuation of these loans and advances to customers is regarded as a Level 3 valuation technique as certain inputs are not market observable. Further details are found in Note 1f).

Derivative financial instruments

The Level 3 derivative financial instruments included in the tables on pages 276 to 279 mostly comprise derivatives which are used to hedge the Group's interest rate risk and inflation risk arising from the equity release portfolio. The valuation of these derivatives is regarded as a Level 3 valuation technique as certain inputs into the valuation are not market observable. Further details on the inputs into the valuation and the impact of reasonably possible alternative assumptions of certain inputs into the valuation of these derivatives are found in Note 1v).

Any change in fair value of the derivative liabilities is offset to some extent by a corresponding but opposite change in the value of the equity release portfolio. The characteristics and the valuation requirements differ slightly between the derivatives and the equity release portfolio resulting in the changes in fair value not offsetting completely. During the year the net impact to the Income Statement (Group and Society) was a debit of £6.4m (2024: £9.3m credit).

Debt securities

The valuation of the retained Darrowby 6 B Notes is regarded as a Level 3 valuation technique as the credit risk premium is a key input into the calculation and is not market observable. This input is based on the judgement of senior management and observed similar transactions within the market.

Fair value of put option obligation

A key input into the calculation of the fair value of the put option obligation is the estimate of the market value of the noncontrolling shareholding. As this input is based on the judgement of senior management, the valuation of the put option obligation is considered to be a Level 3 valuation technique.

Share warrants and other assets

These assets relate to share warrants held in unlisted entities and amounts recognised, where appropriate, for additional share warrants yet to be received. The valuation of these assets is regarded as a Level 3 valuation technique as certain inputs into the valuation are not market observable. Further details are found in Note 1f).

Loan to defined benefit pension scheme

The valuation of the loan to the defined benefit pension scheme is regarded as a Level 3 valuation technique as certain inputs into the valuation are not market observable. Further details on the inputs into the valuation of this loan, and the impact of reasonably possible alternative assumptions of certain inputs, are found in Note 1v). For the year ended 31 December 2025 the net impact to the Income Statement (Group and Society) was a debit of £2.2m (2024: £nil).

46. Fair values (continued)

c) Fair values of financial instruments not carried at fair value

The tables below summarise the carrying values and fair values of those financial assets and liabilities not presented within the Statement of Financial Position at fair value.

£m	Group 2025		Society 2025	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash in hand and balances with the Bank of England	1,360.2	1,360.2	1,360.2	1,360.2
Loans and advances to credit institutions	353.3	353.3	304.7	304.7
Loans and advances to customers	33,378.9	33,609.2	31,121.3	31,324.5
Trade receivables	73.6	73.6	1.5	1.5
Loans to subsidiary undertakings	-	-	454.7	454.7
	35,166.0	**35,396.3**	**33,242.4**	**33,445.6**
Financial liabilities				
Shares	30,526.3	30,535.0	30,524.3	30,531.0
Amounts owed to credit institutions	327.2	327.2	513.1	513.1
Amounts owed to other customers	2,719.6	2,723.5	1,171.9	1,171.9
Debt securities in issue	3,361.9	3,349.8	2,955.0	2,950.6
Lease liabilities	110.3	110.3	8.2	8.2
Trade payables	14.4	14.4	3.4	3.4
Subordinated liabilities	356.0	364.1	356.0	364.1
Subscribed capital	15.2	21.1	15.2	21.1
	37,430.9	**37,445.4**	**35,547.1**	**35,563.4**

£m	Group 2024		Society 2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash in hand and balances with the Bank of England	1,930.6	1,930.6	1,930.6	1,930.6
Loans and advances to credit institutions	414.6	414.6	397.8	397.8
Loans and advances to customers	30,601.1	30,804.7	28,334.9	28,531.4
Trade receivables	68.8	68.8	1.9	1.9
Loans to subsidiary undertakings	-	-	403.9	403.9
Other assets	0.1	0.1	-	-
	33,015.2	33,218.8	31,069.1	31,265.6
Financial liabilities				
Shares	28,268.5	28,239.2	28,254.1	28,239.2
Amounts owed to credit institutions	1,599.6	1,599.6	1,800.6	1,800.6
Amounts owed to other customers	2,751.1	2,753.8	1,268.9	1,268.7
Debt securities in issue	2,435.3	2,423.1	1,930.1	1,930.9
Lease liabilities	92.1	92.1	8.6	8.6
Trade payables	11.0	11.0	2.8	2.8
Subordinated liabilities	690.2	700.4	690.2	700.4
Subscribed capital	41.6	61.8	41.6	61.8
	35,889.4	35,881.0	33,996.9	34,013.0

46. Fair values (continued)

Key considerations in the calculation of fair values of those financial assets and liabilities not presented within the Statement of Financial Position at fair value are set out below unless there is no significant difference between carrying value and fair value.

Loans and advances to customers

For fixed rate and tracker mortgage products, the Group has estimated the fair value of these products using discounted cash flows and has applied relevant current market product rates as discount rates in order to also incorporate an element of future expected credit losses. Fixed rate and tracker mortgages have been discounted using current market product rates that are specific to the particular market to which they relate.

Market prices will generally have moved since the fixed or tracker rate was taken out, therefore the valuation of these products will change reflecting upwards or downwards movements in market rates. The valuation includes information and expectations regarding estimated redemption profiles which are regularly reviewed and updated in light of experience.

As these redemption profiles are not considered to be observable by the market, the fair value of loans and advances to customers is considered to be derived by using Level 3 valuation techniques.

For standard variable rate mortgage products, the interest rate on such products is equivalent to a current market product rate and as such the Group considers the fair value of these mortgages to be equal to their carrying value.

Shares

Savings products at variable rates are at current market rates and therefore the Group regards the fair value to be equal to the carrying value.

The fair value of fixed rate savings products has been determined using discounted cash flows, discounted using a combined yield curve of cash and swap term rates.

Changes in market prices since the product was taken out will result in increases or decreases in the fair value of the fixed rate savings products. The valuation includes information and expectations regarding estimated withdrawal profiles which are regularly reviewed and updated in light of experience. As these profiles are not considered to be observable by the market, the fair value of shares is considered to be derived by using Level 3 valuation techniques.

Amounts owed to credit institutions and other customers

Balances in these categories are valued using discounted cash flows which use only observable market inputs consisting of the combined yield curve of cash and swap term rates. All inputs to this valuation technique are market observable and as such they are categorised within Level 2 of the fair value hierarchy, with the exception of amounts owed to other customers in relation to retail deposits with SIL which uses information and expectations regarding estimated withdrawal profiles which are regularly reviewed and updated in light of experience. As these profiles are not considered to be observable by the market, this fair value is considered to be derived by using Level 3 valuation techniques.

Debt securities in issue

Where securities are actively traded in a recognised market, with readily available and quoted prices, these have been used to value the securities. These securities are therefore regarded as having Level 1 fair values. Where such prices are not available, discounted cash flows are used. Where only market observable inputs are used within these discounted cash flows, such as a combined yield curve of cash and swap term rates, theses securities are categorised as having Level 2 fair values. Securities valued using unobservable inputs are regarded as having Level 3 fair values.

Subordinated liabilities and subscribed capital

Prices are quoted for these instruments in actively traded markets and, as a result, these instruments are categorised as having Level 1 fair values.

d) Fair values of non-financial assets and liabilities not carried at fair value

The fair value of investment property, which is a non-financial asset, is disclosed in these financial statements. Note 24 provides details of the valuation techniques used in estimating this fair value, together with the resulting categorisation of these valuation techniques within the fair value hierarchy.

47. Group segmental reporting

The Group's structure and reportable segments are outlined in the Strategic Report.

Transactions between the segments are on normal commercial terms and conditions. The accounting policies of the reportable segments are consistent with the Group's accounting policies. The Group has not aggregated any of its operating segments for the purposes of financial reporting. Intra-group dividends are excluded from the segmental analysis presented as these are not included in the measure of segment profit or loss that is used by the Group's Board.

No geographical analysis is presented because substantially all of the Group's activities are conducted within the UK. Of the total external income, £81.5m (2024: £63.1m) was generated outside the UK.

A breakdown of the allocation of goodwill by segment is included within Note 25.

Group £m	2025				
	Society	SIL	Connells	Other^	Total
Interest receivable and similar income	1,956.8	141.7	16.0	(157.6)	**1,956.9**
Interest payable and similar charges	(1,514.6)	(99.9)	(13.0)	185.5	**(1,442.0)**
Net interest income	**442.2**	**41.8**	**3.0**	**27.9**	**514.9**
Net non-interest income	46.2	0.3	1,155.1	11.0	**1,212.6**
Fair value gains / (losses) on hedged items and derivatives	15.1	(0.2)	-	(5.9)	**9.0**
Fair value losses on equity release portfolio	(14.5)	-	-	-	**(14.5)**
Fair value gains on share warrants	-	-	5.6	-	**5.6**
Fair value losses on put options held by minority shareholders	-	-	(0.2)	-	**(0.2)**
Fair value gains on equity share investments mandatorily held at FVTPL	-	-	0.4	-	**0.4**
Fair value gains / (losses) on other instruments mandatorily held at FVTPL	1.1	-	-	(3.3)	**(2.2)**
Realised profits on treasury assets held at FVOCI	0.3	-	-	-	**0.3**
Profit on disposal of Group undertakings	-	-	10.8	-	**10.8**
Share of profits from joint ventures	-	-	2.0	-	**2.0**
Charge on buy-back of Permanent Interest-Bearing Shares	(27.9)	-	-	-	**(27.9)**
Total income	**462.5**	**41.9**	**1,176.7**	**29.7**	**1,710.8**
Administrative expenses	(262.4)	(29.7)	(1,102.5)	(28.8)	**(1,423.4)**
Realised losses on equity release portfolio	(1.3)	-	-	-	**(1.3)**
Impairment and provisions for liabilities	(9.5)	(0.1)	(1.1)	(0.2)	**(10.9)**
Profit before tax	**189.3**	**12.1**	**73.1**	**0.7**	**275.2**
Taxation	(49.5)	(1.6)	(15.2)	0.1	**(66.2)**
Profit after tax	**139.8**	**10.5**	**57.9**	**0.8**	**209.0**
Total assets	**38,326.9**	**2,540.4**	**698.2**	**(821.3)**	**40,744.2**
Total liabilities	**35,798.8**	**2,388.7**	**440.3**	**(748.2)**	**37,879.6**

Total income can be analysed as follows:

Group £m	2025				
	Society	SIL	Connells	Other^	Total
External Income	517.9	13.8	1,157.7	21.4	**1,710.8**
Income from other segments	(55.4)	28.1	19.0	8.3	**-**
Total Income	**462.5**	**41.9**	**1,176.7**	**29.7**	**1,710.8**

47. Group segmental reporting (continued)

Group (restated*)	2024				
£m	Society	SIL	Connells	Other^	Total
Interest receivable and similar income	2,083.5	166.4	17.8	(165.4)	**2,102.3**
Interest payable and similar charges	(1,676.3)	(114.6)	(12.3)	189.3	**(1,613.9)**
Net interest income	407.2	51.8	5.5	23.9	**488.4**
Net non-interest income	43.9	0.3	1,055.4	13.6	**1,113.2**
Fair value gains / (losses) on hedged items and derivatives	28.8	(0.1)	-	(4.8)	**23.9**
Fair value losses on equity release portfolio	(12.6)	-	-	-	**(12.6)**
Fair value gains on share warrants	-	-	5.9	-	**5.9**
Fair value losses on put options held by minority shareholders	-	-	(0.3)	-	**(0.3)**
Fair value gains on equity share investments mandatorily held at FVTPL	-	-	1.1	-	**1.1**
Fair value (losses) / gains on other instruments mandatorily held at FVTPL	(4.0)	-	-	4.0	**-**
Realised losses on treasury assets held at FVOCI	(1.8)	-	-	-	**(1.8)**
Share of profits from joint ventures	-	-	1.4	-	**1.4**
Total income	461.5	52.0	1,069.0	36.7	**1,619.2**
Administrative expenses	(262.0)	(21.4)	(1,008.9)	(20.0)	**(1,312.3)**
Realised losses on equity release portfolio	(1.8)	-	-	-	**(1.8)**
Impairment and provisions for liabilities	12.2	0.4	1.2	(0.3)	**13.5**
Profit before tax	**209.9**	**31.0**	**61.3**	**16.4**	**318.6**
Taxation	(56.7)	(3.1)	(15.8)	(2.5)	**(78.1)**
Profit after tax	**153.2**	**27.9**	**45.5**	**13.9**	**240.5**
Total assets	**36,628.3**	**2,618.6**	**649.1**	**(880.7)**	**39,015.3**
Total liabilities	**34,322.9**	**2,466.6**	**396.8**	**(838.4)**	**36,347.9**

Total income can be analysed as follows:

Group	2024				
£m	Society	SIL	Connells	Other^	Total
External Income	550.2	1.4	1,051.4	16.2	**1,619.2**
Income from other segments	(88.7)	50.6	17.6	20.5	**-**
Total Income	461.5	52.0	1,069.0	36.7	**1,619.2**

* In accordance with IFRS 8 *Operating Segments*, the Group has expanded the above segmental analysis to show the breakdown of 'Net interest income' between 'Interest receivable and similar income' and 'Interest payable and similar charges'. The information shown for the year ended 31 December 2024 is therefore restated to present on this updated basis. The impacts of this change are presentational only and there is no impact on the amounts reported for the year ended 31 December 2024.

^ The 'Other' category comprises segments that are not separately reportable, together with the impact of Group consolidation adjustments. The Other category therefore includes amounts relating to all Group entities except for the Society, SIL and Connells. Amounts relating to Group consolidation adjustments include the elimination of intra-group transactions such as intercompany fees.

48. Capital management

The components of the Prudential Group's capital and the associated regulatory framework are set out in the Strategic Report, and this is followed by quantitative disclosure of the components of capital resources and capital requirements. The Group's capital management processes are also set out in the Strategic Report. Throughout both the current year and the prior year, the Group complied with and maintained surplus capital above all externally imposed capital requirements.

49. Adoption of new and revised International Financial Reporting Standards

The Group adopted during the year the following new accounting standards and amendments to existing accounting standards, none of which had a material impact on these consolidated financial statements:

- *Lack of exchangeability* (Amendments to IAS 21).

Standards issued but not yet effective

The new and amended accounting standards and interpretations set out below will be effective for future reporting periods (subject to UK endorsement for some) and have not been early adopted by the Group in preparing these consolidated financial statements:

i. *Amendments to Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7)

The Amendments, which are effective for accounting periods commencing on or after 1 January 2026, include:

- Clarifications of the requirements for recognition and derecognition of financial assets and liabilities
- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually-linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at FVOCI

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Group has performed an initial impact assessment. There is a limited number of electronic payment systems used by the Group that do not result in real-time settlement. In response to the Amendments, the Group is establishing any revisions required to existing accounting practices; the impact on the Group's annual consolidated financial statements is not currently expected to be material.

ii. IFRS 18 *Presentation and Disclosure in Financial Statements*

IFRS 18 replaces IAS 1 *Presentation of Financial Statements* and becomes effective for accounting periods commencing on or after 1 January 2027. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories; operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are also other changes, including specific presentation requirements and options for entities, such as the Society, that provide finance to customers.

The Group is currently assessing the impacts for the Group's primary financial statements and notes to the financial statements.

iii. Other, none of which are currently expected to have a material impact on the Group's consolidated financial statements:

- IFRS 19 *Subsidiaries without Public Accountability: Disclosures*;
- *Annual Improvements to IFRS Accounting Standards – Volume 11*; and
- *Contracts Referencing Nature-dependent Electricity* (Amendments to IFRS 9 and IFRS 7).

50. Subsequent events

There have been no material subsequent events between 31 December 2025 and the date of approval of this Annual Report and Accounts by the Board.

Other Information

Country by Country Reporting

Nature of the Group's activities

The Group holds an investment in a number of subsidiary undertakings. The Society and the majority of its subsidiary undertakings are incorporated in the UK, with the exception of the entities listed below. For a full list of the principal trading subsidiaries in the Group and the nature of their activities, see Note 20a) of the financial statements.

Name of subsidiary undertaking	Principal business activity	Country of incorporation	% ownership Interest 31.12.25
Jade Software Corporation Limited	Provider of software development services	New Zealand	100%
Skipton International Limited	Offshore deposit taker and lender	Guernsey	100%

At 31 December 2025, Jade also held a 100% ownership in the following trading subsidiary undertakings, all of which carry out the principal business activity of the Jade group of businesses.

Name of subsidiary undertaking	Country of incorporation
Contec Group International Limited	New Zealand
Jade Software Corporation (NZ) Limited	New Zealand
Jade Software Corporation Pty Limited	Australia
Jade Software Corporation UK Limited	UK
Northwest Investments NZ Limited	New Zealand

In addition, the Group holds a non-controlling interest of 17.7% in Wynyard Group Limited, which entered liquidation in February 2017 and which is incorporated in New Zealand.

Country by country disclosures

An analysis of turnover, which is regarded as total income as defined below (and which excludes dividend income from subsidiaries), profit before tax, the current tax charge, corporation taxes paid, public subsidies received and the average number of employees on a full-time equivalent basis is set out below. The information presented is at a full Group level of consolidation.

Total income is defined as net interest income plus fees and commissions receivable (net of fees and commissions payable), together with all other components of operating income. Total gross income and total gross profit before tax, for each country, represents consolidated income or profit before tax for that country.

2025 £m	UK	Australia	Guernsey	New Zealand	Jersey	Total
Total income by country	1,653.6	3.7	33.5	16.2	8.3	**1,715.3**
Inter-country adjustments	28.1	-	(28.1)	(4.5)	-	**(4.5)**
Consolidated income	**1,681.7**	**3.7**	**5.4**	**11.7**	**8.3**	**1,710.8**
Profit before tax by country	263.2	0.1	9.7	0.1	2.1	**275.2**
Inter-country adjustments	35.4	1.8	(27.3)	(9.9)	-	**-**
Consolidated profit before tax	**298.6**	**1.9**	**(17.6)**	**(9.8)**	**2.1**	**275.2**

2025 £m	UK	Australia	Guernsey	New Zealand	Jersey	Total
Current tax expense*	62.7	-	1.3	0.1	0.3	**64.4**
Corporation taxes paid	54.2	-	1.7	-	0.5	**56.4**
Public subsidies received^	-	-	-	-	-	**-**
Average number of employees	17,430	15	137	213	46	**17,841**

* The current tax expense in Guernsey and Jersey includes a Pillar Two top-up charge in SIL.

Country by Country Reporting (continued)

2024 £m	UK	Australia	Guernsey	New Zealand	Jersey	Total
Total income by country	1,551.7	3.0	42.8	17.8	9.2	**1,624.5**
Inter-country adjustments	54.1	-	(54.1)	(5.3)	-	**(5.3)**
Consolidated income	**1,605.8**	**3.0**	**(11.3)**	**12.5**	**9.2**	**1,619.2**
Profit before tax by country	285.9	0.1	27.1	1.3	4.2	**318.6**
Inter-country adjustments	59.8	1.3	(53.4)	(7.7)	-	**-**
Consolidated profit before tax	**345.7**	**1.4**	**(26.3)**	**(6.4)**	**4.2**	**318.6**

2024 £m	UK	Australia	Guernsey	New Zealand	Jersey	Total
Current tax expense**	67.1	-	2.7	-	0.4	**70.2**
Corporation taxes paid	64.0	-	3.6	-	0.7	**68.3**
Public subsidies received^	-	-	-	0.2	-	**0.2**
Average number of employees	16,572	14	105	225	35	**16,951**

** The current tax expense in the UK includes a Pillar Two top-up charge in the Society.

^ Public subsidies received relate to cash payments received from governments in the form of grants.

Annual Business Statement

1. Statutory percentages

	As at December 2025 (%)	Statutory Limit (%)
Lending limit	**2.79**	**25.00**
Funding limit	**12.53**	**50.00**

These percentages form part of the audited Accounts.

Explanation

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986.

The lending limit measures the proportion of business assets not in the form of loans fully secured on residential property. Business assets are defined as the total assets of the Group plus provisions for impairment losses on loans and receivables, less liquid assets, intangible assets, property, plant and equipment, right-of-use assets and investment property as shown within the Group Statement of Financial Position.

The funding limit measures the proportion of shares and borrowings (excluding the fair value adjustment for hedged risk) not in the form of shares held by individuals. We have taken advantage of the relief set out in SI 2007/No 860, effective from April 2007, to exclude retail offshore deposits from the total of wholesale funds.

The statutory limits are as laid down under the Building Societies Act 1986 and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its members.

2. Other percentages

	2025 (%)	2024 (%)
As a percentage of shares and borrowings:		
(i) Gross capital	**8.76**	9.70
(ii) Free capital	**7.24**	8.31
(iii) Liquid assets	**16.20**	19.10
As a percentage of mean total assets:		
(i) Group profit after taxation	**0.52**	0.63
(ii) Group management expenses	**3.57**	3.44
(iii) Society management expenses	**0.70**	0.73
As a percentage of closing total assets:		
(i) Group profit after tax	**0.51**	0.62

These percentages form part of the audited Accounts.

Explanation

The above percentages have been calculated from the Group and Society Income Statements and Statements of Financial Position.

Shares, deposits and borrowings represent the total of shares, amounts owed to credit institutions, amounts owed to other customers and debt securities in issue, including accrued interest and the fair value adjustments for hedged risk.

Gross capital represents the general reserve together with the fair value reserve, cash flow hedging reserve, cost of hedging reserve, translation reserve, subordinated liabilities, subscribed capital and non-controlling interests, as shown within the Group Statement of Financial Position. Free capital represents gross capital, less property, plant and equipment, right-of-use assets, investment property and intangible assets as shown within the Group Statement of Financial Position.

Liquid assets represent the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities. Mean total assets are the average of the 2025 and 2024 total assets. Management expenses represent administrative expenses.

Annual Business Statement (continued)

3. Information relating to Directors at 31 December 2025

The Board of Directors at 31 December 2025, their dates of birth and dates of appointment as a Director are as follows:

Director	Date of Birth	Date of Appointment
G V Burr	12 January 1963	27 April 2022
P S Chambers*	26 April 1967	26 March 2024
I A Cummings	22 October 1961	1 July 2022
S J Davis	28 June 1963	3 April 2023
H I Gunawickrema	10 April 1978	1 November 2024
S A Haire*	18 April 1974	31 December 2022
D A Hall	9 November 1955	27 March 2017
H L Jackson	23 August 1965	24 October 2018
G J Lindsay	24 August 1958	19 May 2025

*Executive Directors

Documents may be served on any of the above-named Directors at the following address: Addleshaw Goddard, 3 Sovereign Square, Sovereign Street, Leeds, LS1 4ER.

The Directors' business occupations and other Directorships at 31 December 2025 were as follows:

Director	Skipton Group Role	Other Directorships held
G V Burr	Non-Executive Director (Chair of the Board, Chair of the Board Nominations Committee, Chair of the Non-Executive Remuneration Committee)	Metro AG Skipton Group Holdings Limited
P S Chambers	Building Society Group Chief Financial Officer (member of the Group Executive Committee, member of the Non-Executive Remuneration Committee)	Skipton Financial Services Limited Skipton Group Holdings Limited Skipton Investments Limited Skipton Trustees Limited
I A Cummings	Non-Executive Director (Chair of the Board Audit Committee, member of the Board Change Committee, member of the Board Nominations Committee, member of the Board Risk Committee) Designated Speak Out (Whistleblowing) Non-Executive Director	Investec Wealth & Investment Limited Rathbones Group PLC Rathbone Investment Management Limited Skipton Group Holdings Limited TFS Derivatives Limited Tradition Financial Services Tradition UK Holdings Limited Tradition London Clearing Limited Tradition Management Services Limited Tradition (UK) Limited
S J Davis	Non-Executive Director (Chair of the Board Remuneration Committee, member of the Board Nominations Committee) Designated Colleague Non-Executive Director	Peter Vardy Global Philip Kingsley Products Limited Scottish Ballet Skipton Group Holdings Limited Trichological Clinic Limited
H I Gunawickrema	Non-Executive Director (member of the Board Nominations Committee, member of the Board Risk Committee)	Countess of Chester Hospital NHS Foundation Trust HIG Advisory Limited Skipton Group Holdings Limited

Annual Business Statement (continued)

3. Information relating to Directors at 31 December 2025 (continued)

Director	Skipton Group Role	Other Directorships held
S A Haire	Building Society Group Chief Executive (Chair of the Group Executive Committee, member of the Non-Executive Remuneration Committee)	Skipton Group Holdings Limited
D A Hall	Non-Executive Director (Chair of the Board Risk Committee, member of the Board Audit Committee, member of the Board Nominations Committee)	Aareal Bank AG Auxmoney Europe Holding Limited Moneta Money Bank Skipton Group Holdings Limited
H L Jackson	Non-Executive Director (Chair of the Board Change Committee, member of the Board Nominations Committee, member of the Board Remuneration Committee, member of the Board Risk Committee)	Admiral Long Foundation Ikano Bank AB Rothesay Life PLC Rothesay Limited Skipton Group Holdings Limited The Veterinary Defence Society Yorkshire Cancer Research
G J Lindsay	Non-Executive Director (Deputy Chair of the Board, member of the Board Nominations Committee, member of the Board Audit Committee, member of the Board Change Committee, member of the Board Remuneration Committee) Senior Independent Director	Break Charity Family Assurance Friendly Society Limited Family Assurance Staff Pension Scheme Trustees Limited Gastonrange Limited Skipton Group Holdings Limited The Brain Tumour Charity Vanquis Banking Group PLC Vanquis Bank Limited

Messrs Chambers and Haire have service contracts entered into on 6 February 2024 and 14 July 2022 respectively which may be terminated by either party giving one year's notice.

4. Principal office

The Society is a building society incorporated and domiciled in the United Kingdom. The address of the principal office is The Bailey, Skipton, North Yorkshire, BD23 1DN.

Glossary

Set out below are the definitions of terms used within the Annual Report and Accounts to assist the reader and to facilitate comparison with other financial institutions:

Arrears	A customer is in arrears when they are behind in fulfilling their obligations with the result that an outstanding loan commitment is overdue.
Asset Backed Securities (ABS)	An Asset Backed Security (ABS) is a security whose value and income payments are derived from and collateralised (or 'backed') by a specified pool of underlying assets. Typically, these assets are pools of residential or commercial mortgages.
Buy-to-let (BTL) mortgages	Mortgages offered to customers purchasing residential property to be rented to others to generate a rental income.
Common Equity Tier 1 (CET1) capital	Common Equity Tier 1 (CET1) capital primarily comprises internally generated capital from retained profits, less regulatory adjustments. CET1 capital is fully loss absorbing.
Contractual maturity	The final payment date of a loan or other financial instrument, at which point the entire remaining outstanding principal and interest is due to be repaid.
Covered bonds	Debt securities backed by a portfolio of mortgages that are segregated from the issuer's other assets to be solely for the benefit of the holders of the covered bonds. The Group has established covered bonds as part of its funding activities. Covered bonds use retail / residential mortgages as the asset pool.
Credit Valuation Adjustment (CVA)	The adjustment applied to the fair value of derivatives for potential mark-to-market losses due to credit quality deterioration of a counterparty (that does not necessarily default).
Capital Requirements Directive V (CRD V)	Capital Requirements Directive V (CRD V) became effective on 28 December 2020 and is made up of the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (UK CRR).
Debt securities	Assets representing certificates of indebtedness of credit institutions, public bodies or other undertakings.
Debt securities in issue	Transferable certificates of indebtedness of the Group to the bearer of the certificates. These are liabilities of the Group and can include certificates of deposit.
Derivative financial instruments	A derivative financial instrument is a type of financial instrument (or an agreement between two parties) that has a value based on the underlying asset, index or reference rate it is linked to. The Group uses derivative financial instruments to hedge its exposures to market risks such as interest rate risk and currency risk.
Effective Interest Rate (EIR) method	The method used to measure the carrying value of a financial asset or liability measured at amortised cost and to allocate associated interest income or expense over the relevant period.
Energy Performance Certificate (EPC)	An Energy Performance Certificate (EPC) relates to an energy rating scheme which identifies a household's energy efficiency level. EPC scores range from least efficient (G) to most efficient (A) on a scale.
Expected Credit Loss (ECL)	The present value of all cash shortfalls over the expected life of the financial instrument to determine impairment loss allowances under IFRS 9.
Exposure at Default (EAD)	The expected outstanding balance of an asset at the time of default.
Fair value	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.
Fair Value Through Other Comprehensive Income (FVOCI)	Financial instruments held at fair value in the Statement of Financial Position, with changes in fair value recognised through other comprehensive income.
Fair Value Through Profit or Loss (FVTPL)	Financial instruments held at fair value in the Statement of Financial Position, with changes in fair value recognised through the Income Statement.

Glossary (continued)

Financial Services Compensation Scheme (FSCS)	The UK's compensation fund of last resort for customers of authorised financial services firms. The FSCS may pay compensation to customers if a firm is unable, or likely to be unable, to pay claims against it, usually because it has stopped trading or has been declared in default. The FSCS is funded by the financial services industry.
Forbearance strategies	Strategies to assist borrowers in financial difficulty, such as arrears capitalisation, a reduction in the monthly payment, a conversion to interest only or a mortgage term extension. Forbearance strategies aim, if possible, to avoid foreclosure or repossession.
Free capital	The aggregate of gross capital less property, plant and equipment, right-of-use assets, investment property and intangible assets.
Funding limit	Measures the proportion of shares and borrowings (excluding the fair value adjustment for hedged risk) not in the form of shares held by individuals. The calculation of the funding limit is explained in the Annual Business Statement.
Goodwill	Goodwill arises on the acquisition of subsidiary undertakings, joint ventures, associates or other businesses and represents the excess of the fair value of consideration over the fair value of separately identifiable net assets acquired at the date of acquisition.
Greenhouse Gases (GHG)	Gases which absorb and re-emit infrared radiation, thereby trapping it in the Earth's atmosphere. It includes carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). These emissions add to the greenhouse effect – a contributor to climate change.
Gross capital	The aggregate of the general reserve, translation reserve, fair value reserve, cash flow hedging reserve, cost of hedging reserve, subordinated liabilities, subscribed capital and non-controlling interests.
Internal Capital Adequacy Assessment Process (ICAAP)	The Group's own assessment, as part of regulatory requirements, of the levels of capital that it needs to hold in respect of the risks it faces under a business as usual scenario and a variety of stress scenarios.
Internal Liquidity Adequacy Assessment Process (ILAAP)	The Group's own assessment that current and projected levels of liquidity are sufficient and appropriate for the Group's plans, under a variety of stress scenarios. It also details the Group's compliance with the PRA's regulatory requirements.
Internal Ratings-Based approach (IRB)	An advanced approach to measuring capital requirements in respect of credit risk. The IRB approach may only be used with permission from the PRA.
International Swaps and Derivatives Association (ISDA) Master Agreement	A standardised contract developed by ISDA and used to enter into bilateral derivatives transactions.
Investment grade	The range of credit ratings, from Aaa to Baa3, as measured by external credit rating agencies.
Lending limit	Measures the proportion of business assets not in the form of loans fully secured on residential property. The calculation of the lending limit is explained in the Annual Business Statement.
Leverage ratio	The ratio of Tier 1 capital divided by total leverage exposure measure of on and off-balance sheet assets, after netting derivatives.
Liquid assets	The total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities.
Liquidity Coverage Ratio (LCR)	A measure designed to ensure that financial institutions have sufficient high-quality assets available to meet their liquidity needs for a 30 day liquidity stress scenario.
Liquidity ratio	Liquid assets as a percentage of shares, deposits and borrowings.
Loan-to-value ratio (LTV)	A ratio which expresses the balance of a mortgage as a percentage of the value of the property. The Group calculates residential mortgage LTVs on an indexed basis (the value of the property is updated on a quarterly basis to reflect changes in a house price index).
Loans past due / past due loans	Loans on which payments are overdue including those on which partial payments are being made.

Glossary (continued)

Loss Given Default (LGD)	An estimate of the loss that would be incurred should a borrower default on their credit obligations.
Management expenses	Management expenses represent administrative expenses. The cost to mean asset ratio is management expenses expressed as a percentage of mean total assets.
Material Risk Takers (MRTs)	A group of employees to which the FCA's Remuneration Code applies. MRTs consist of Executive Directors, Non-Executive Directors and certain senior managers who could have a material impact on the firm's risk profile.
Mean total assets	Represents the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
Medium Term Notes (MTN)	Corporate notes continuously offered by an entity to investors through a dealer, across a range of maturity periods.
Member	A person who has a share investment or a mortgage loan with the Society, or is the holder of a Permanent Interest-Bearing Share in the Society.
Minimum Requirement for own Funds and Eligible Liabilities (MREL)	A regulatory requirement for the minimum amount of equity and subordinated debt a firm must maintain to support an effective resolution.
Mortgage Backed Securities (MBS)	Assets which are backed by underlying mortgage collateral.
Net customer satisfaction	Net customer satisfaction score is the percentage of members surveyed that scored satisfaction as 5, 6 or 7 minus those scoring 1, 2 or 3 (on a scale of 1-7).
Net interest income	The difference between interest received on assets and interest paid on liabilities.
Net interest margin	Net interest income as a percentage of mean total assets.
Permanent Interest-Bearing Shares (PIBS) or subscribed capital	Unsecured, deferred shares that are a form of Tier 2 capital. PIBS rank behind the claims of all subordinated debt holders, depositors, payables and investing members of the Society.
Prime	Prime mortgages are those granted to the most credit worthy category of borrower.
Probability of Default (PD)	An estimate of the probability that a borrower will default on their credit obligations.
Put option	Where the Group acquires a majority shareholding in a subsidiary undertaking, but grants the non-controlling shareholders an option to sell their shares to the Group at some future date(s), a put option obligation exists.
Renegotiated loans	Loans are classed as renegotiated, with the customer's consent, when their terms have changed during the year. Loans and advances may be renegotiated whether or not the customer is experiencing financial difficulty in repaying their loan with the Group.
Repo / reverse repo	Short to medium-term funding agreements which allow a borrower to sell a financial asset, such as an ABS or government bond, as security for cash. As part of the agreement the borrower agrees to repurchase the security at some later date. For the party selling the security (and agreeing to repurchase it in the future) it is a repo; for the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo, for which the underlying collateral can typically be resold or repledged if desired.
Residential loans	Mortgage lending secured against residential property.
Residential Mortgage Backed Securities (RMBS)	A category of ABS that represent interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and / or principal).
Risk appetite	The articulation of the level of risk that the Group is willing to take in order to safeguard the interests of the Society's members whilst achieving business objectives.
Risk Weighted Assets (RWAs)	The value of assets, after adjustment, under CRD V rules to reflect the degree of risk they represent.

Glossary (continued)

Securitisation	A process by which a group of assets, usually loans, are aggregated into a pool which is used to back the issuance of new securities. A firm transfers these assets to a special purpose vehicle which then issues securities backed by the assets. The Group has established securitisation structures as part of its funding activities. These securitisation structures use retail / residential mortgages as the asset pool.
Shares	Money deposited by non-corporate depositors in a retail savings account with the Society. Such funds are recorded as liabilities for the Society.
Shares, deposits and borrowings	The total of shares, amounts owed to credit institutions, amounts owed to other customers and debt securities in issue, including accrued interest and fair value adjustments for hedged risk.
Significant Increase in Credit Risk (SICR)	A significant increase in credit risk on a financial asset is judged to have occurred when an assessment using quantitative and qualitative factors identifies that the credit risk has increased significantly since the asset was originally recognised.
Solely Payments of Principal and Interest (SPPI) test	An assessment of whether the contractual terms of the financial asset give rise to cash flows that are in substance solely payments of principal and interest.
Scope 1 emissions	Under the Greenhouse Gas Protocol methodology, scope 1 emissions include emissions generated from sources under the direct control of an organisation. For example, emissions from combustion of fuel or oil for heating offices.
Scope 2 emissions	Under the Greenhouse Gas Protocol methodology, scope 2 emissions include those generated from the purchase of electricity.
Scope 3 emissions	Under the Greenhouse Gas Protocol methodology, scope 3 includes all indirect emissions. These result from the activities of the organisation, but not in their direct control. This includes areas like leased assets, suppliers and colleague commuting.
Stage 1 financial assets	Stage 1 financial assets are those which have not experienced a significant increase in credit risk since origination. 12-month ECLs are recognised and interest revenue is determined by the EIR on the gross carrying amount.
Stage 2 financial assets	Stage 2 financial assets have experienced a significant increase in credit risk since initial recognition. Lifetime ECLs are recognised and interest revenue is determined by the EIR on the gross carrying amount.
Stage 3 financial assets	Stage 3 financial assets are identified as in default and considered credit impaired. Lifetime ECLs are recognised and interest revenue is determined by the EIR on the net carrying amount.
Subordinated debt / liabilities	Unsecured debt that ranks below the claims of depositors and senior creditors in the event of insolvency, and may be structured to meet regulatory loss-absorbing requirements such as MREL.
Sub-prime	Loans to borrowers that typically have weakened credit histories that include payment delinquencies and in some cases potentially more severe problems such as court judgments and discharged bankruptcies.
tCO_2e	This stands for metric tonnes of carbon dioxide equivalent. It is a standard unit for measuring greenhouse gas emissions, accounting for the different greenhouse gases using a single factor.
Term Funding Scheme with Additional Incentives for SMEs (TFSME)	A scheme allowing eligible banks and building societies to access four-year funding at rates very close to Bank Base Rate, designed to incentivise eligible participants to provide credit to businesses and households to bridge through the period of economic disruption caused by COVID-19 – TFSME, which closed for drawdowns in 2021, included additional incentives to provide credit to SMEs.
Tier 1 capital	A measure of financial strength, as defined by CRD V. Tier 1 capital comprises Common Equity Tier 1 capital and Additional Tier 1 capital.
Tier 2 capital	Tier 2 capital comprises the Society's PIBS.
UK Capital Requirement Regulation (UK CRR)	UK Capital Requirements Regulation (UK CRR) implemented in 2022.
Wholesale funding	Amounts owed to credit institutions, amounts owed to other customers and debt securities in issue excluding balances deposited by offshore customers.

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