

Annual Report and Accounts 2025

Contents

<u>Strategic Report</u>	3
Chair's Welcome	4
Chief Executive Officer's Highlights	6
Business Model and Strategy	9
Financial Review	30
Risk Overview	37
Viability Statement	41
Climate-Related Financial Disclosures	43
Non-Financial and Sustainability Information Statement	57
<u>Risk Management Report</u>	58
Approach to Risk Management	59
Principal Risks	63
<u>Governance</u>	86
Corporate Governance Report	87
The Board of Directors	89
The Executive Committee	94
Nominations Committee Report	112
Audit Committee Report	118
Board Risk Committee Report	125
Directors' Remuneration Report	130
Directors' Report	147
<u>Financial Statements</u>	150
Independent Auditor's Report	151
Income Statements	160
Statements of Comprehensive Income	161
Statements of Financial Position	162
Statements of Changes in Members' Interest	163
Statements of Cash Flows	164
Notes to the Accounts	165
<u>Other Information</u>	217
Annual Business Statement	218
Country by Country Reporting	220
Glossary of Terms	221

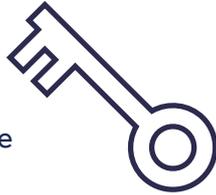
2025: How we performed

Gross residential lending

£5.0bn

(2024: £5.7bn)

We helped **34,600** more people have the home they want, including **17,100** first time buyers



Total assets

£32.0bn

(2024: £31.6bn)

Strong asset growth in a competitive market



Savings balances

£26.1bn

(2024: £24.5bn)

We helped **85,600** more people save for their future



Average savings rate¹

3.92%

Compared to the rest of the market average of 3.02%
Generated the equivalent of **£225.6 million** extra interest for members



Profit before tax²

£198.6m

(2024: £137.5m; underlying profit before tax £187.5m)

Increase in profitability, underpinned by growth in net interest income



Common Equity Tier 1 Capital

25.5%

(2024: 25.7%)

Reserves available to protect us from future problems



Member satisfaction³

94%

(2024: 94%)

We have an ongoing commitment to be customer focused in everything we do

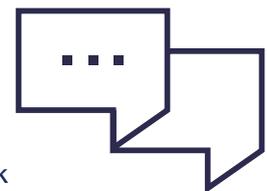


Colleague engagement⁴

8.4 out of 10

(2024: 8.4)

We are committed to being a great place to work



¹ CACI January 2025 to December 2025 CSDB, Stock, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

² 2024 underlying profit before tax excludes one-off items. There were no one-off items during 2025.

³ Overall customer satisfaction in a survey of 3,409 members from January to December 2025.

⁴ Your Voice colleague survey, 1,653 respondents (89% response rate) in June 2025.

Strategic Report

Chair's Welcome

Chair Brendan
McCafferty looks
back on 2025



2025 marked the 150th anniversary of the establishment of Leeds Building Society and it was also my first year as Chair.

I joined the Society because of our clear and compelling purpose, proud heritage, and commitment to putting members first. Our purpose of 'putting home ownership within reach of more people – generation after generation' remains as relevant today as it was 150 years ago. Our purpose is our 'north star' helping us to make good decisions on behalf of members. We know that people want to own their own home, but getting a first foot on the housing ladder is as hard today as it has ever been.

Performance over 2025

We measure the Society's performance in terms of how well it is delivering on that purpose across a number of areas. We develop mortgage products and lend responsibly to ensure that we're helping people to achieve their home ownership aspirations, giving them a place to call home. We also provide competitive and sustainable savings products for members, which funds our lending. We make sufficient profit to ensure we're able to invest back into our business to improve service for our members and to protect the Society's financial strength.

2025 saw modest improvements to the UK economy and a stable housing market, with the Bank of England cutting the base rate to 3.75% by the end of the year – the lowest it has been since 2023. However, households across the country continued to have their budgets squeezed and inflation remained a key issue for all of us. Against this economic background, mortgage and savings market competition intensified considerably. I am proud of our performance as a Society in such circumstances, both in terms of helping people get onto and progress up the housing ladder, and in terms of providing good returns and a safe place for our members' savings to grow.

The full details of our 2025 performance are set out in the Interim Chief Executive Officer's highlights and elsewhere in the annual report, but the headlines include:

- Mortgage lending totalled £5.0 billion and almost half of new mortgage members in 2025 were first time buyers.
- With an average savings rate 0.90% higher than the market average, we delivered extra interest to our savers equating to over £225.6 million annually.¹
- Our member satisfaction score was maintained at 94% in 2025.
- Total savings balances reached £26.1 billion.
- We achieved a profit before tax of £198.6 million, supported by a strong net interest margin and efficient cost management.
- We made great progress in the modernisation of our core banking platform in 2025. In December, we completed the first mortgage journey on the new platform, introducing automated processes that will improve resilience and efficiency for colleagues.
- Colleagues and members helped us achieve our fundraising target of £300,000 for our charity partner Barnardo's ahead of schedule, and we have now increased the target to £500,000 by the end of 2027.

Leadership and Board changes

Richard Fearon, who had been Chief Executive Officer (CEO) of the Society since 2019, stood down from the Board in November after we agreed it was the right moment that he seek a new challenge and for a new chief executive to lead the Society's development.

I would like to thank Richard for the progress made under his leadership of the Society. He can rightly be proud of steering the business through the Covid-19 pandemic, implementing our refreshed purpose, and overseeing years of successive and impressive growth. Our investment in our core banking upgrade will usher in a new phase of the Society's history, and in 2026 we will be appointing a new CEO who will continue to lead that transformation, continue to guide our people, and drive our strategy forwards.

I am pleased to confirm that Annette Barnes will continue as Interim CEO until we appoint a permanent successor, and they are in place. Before stepping into the role of Interim CEO, Annette served as an independent non-executive board director from 2019 onwards. She has provided strong leadership and stability since taking on the interim position over the summer, and I am grateful for her dedication and commitment.

In addition, Andrew Conroy, Chief Financial Officer (CFO), left the Society earlier this year after almost seven years' service and I would like to thank him for his significant contribution. His replacement, Arlene Cairns, joins us in May. Changes were made to the Board following Annette's appointment as Interim CEO last year, with Pamela Rowland appointed as Interim Chair of the Remuneration Committee and Neil Fuller appointed as Interim Senior Independent Director.

Looking ahead

Whilst the macroeconomic environment for 2026 remains uncertain, and direct competition has increased significantly, the decisions made before and during 2025 have set our Society up well for the future and will protect the long-term interests of our members. We will continue to support savers with competitive rates and support people's home ownership aspirations with responsible lending, while also helping charities and community groups that assist those who may otherwise struggle to access safe and secure housing.

Colleagues at the Society feel a sense of pride in our business and show their commitment to our purpose through the work they do every day. Our strong performance in 2025 is down to them, and to the Society's excellent leadership team, and I am extremely grateful to them all. I would also like to thank our members for their loyalty and support.

Brendan McCafferty Chair

26 February 2026

¹ Source: CACI's CSDB, Stock, January 2025 to December 2025, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

Interim Chief Executive Officer's Highlights

Interim Chief Executive
Annette Barnes reflects
on 2025



Leeds Building Society celebrated a milestone year in 2025; our 150th anniversary. This occasion has allowed us the opportunity to reflect on how far we have come, as well as consider the direction we must take to continue to support our members for the next 150 years.

I was honoured to be asked to take on the chief executive role on an interim basis in June 2025, and I am pleased to report a strong performance for the year. Progress against our long-term goals continued, underpinned by ongoing investment in our core capabilities and our commitment to supporting our savings and mortgage members and broker partners; powered, as always, by our purpose.

Our purpose of supporting home ownership has remained unchanged since our founding in 1875. As the Society has grown and adapted to its changing environment, our direction remains clear and our foundations strong. With membership now exceeding one million, every decision we make is guided by what is right for our members and the long-term protection of the Society.

Helping more people achieve their housing aspirations

Mortgage lending totalled £5.0 billion, with almost half of all new mortgages going to first time buyers. March was a standout month, with 2,700 first time buyer completions taking place that month, ahead of changes to Stamp Duty Land Tax introduced in April.

Our innovative Income Plus range has now supported over 900 first time buyers into home ownership. With a loan to income ratio of 5.5 times, Income Plus mortgages offer first time buyers (with a minimum household income of £30,000) an average of up to £66,000 more on 95% loan to value (LTV) lending.¹

We also continued to improve the lending journey for brokers and members. In 2025, the average time between mortgage application and offer reduced by 15.4% compared with 2024, with offers now issued in under eleven days on average. As a result, our broker net promoter score reached 63 in 2025, reflecting the strong service levels we provide.

As affordability pressures have persisted, we have continued to support schemes that lower barriers to home ownership, including shared ownership. Our approach was recognised externally when we were named the 'Best Shared Ownership Mortgage Lender' in the 2025 What Mortgage Awards for the tenth consecutive year.

¹ Calculation based on assessment of Leeds Building Society applications between March 2024 and August 2024 which meet Income Plus credit criteria. The £66,000 figure is the average increase in maximum loan size when comparing Income Plus with standard residential products.

Continuing to deliver for our savers

We continued to deliver value to members through competitive and above average interest rates on savings and further improving the service we provide. We were delighted to be recognised as a recommended provider for savings by Which? Magazine and ranked amongst the top four Best Buys by Ethical Consumer.

Savings balances reached £26.1 billion (2024: £24.5 billion), with interest generated for savers equating to an extra £225.6 million annually in members' pockets (2024: £175.0 million annual equivalent).²

As savings habits continue to evolve and other organisations said goodbye to passbooks last year, we renewed our commitment to keeping them³. We know how important passbooks are to our members and that having one is an important part of belonging to a building society⁴, so last year we revamped them, allowing members to vote for a new design. Whilst the appearance of our passbooks has changed over the years, our commitment to them and what they mean to members remains the same.

Similarly, our branch network remained a key priority for us in 2025. We continued to modernise our high street network, completing refurbishments in Harrogate, Halifax, North Shields, and relocating our South Shields branch. Members appreciate the personal service they receive when they visit us in person and the support that our branch colleagues continue to offer is an important reason why our member satisfaction score was maintained at a strong 94% in 2025 (2024: 94%), and why our Trustpilot rating remained so high at the end of last year at 4.8 out of 5.

Branches don't just offer members the opportunity to carry out transactions in person, but also present an opportunity to educate and support the communities they are based in. Last year we launched one to one fraud clinics across all branches; appointments at which people can discuss any concerns they have and learn how to protect themselves. Branch colleagues delivered over 700 of these clinics in 2025, giving people the confidence and knowledge to spot scams.

Speaking up in the interest of our members

We remained vocal on the issues that matter to members including the importance of Cash ISAs, which provide certainty for people in retirement, those buying their first home, and those saving for major life events. We welcomed the government's decision to protect a £20,000 annual cash ISA allowance for savers older than 65; however, reducing the cash ISA allowance for under 65s to £12,000 from April 2027 limits options. We support calls for an industry-led campaign to promote the value of investing: people should have the knowledge and confidence to make the right decisions for their circumstances.

We also ensured our voice was heard regarding regulatory changes to loan to income flow limits for mortgages, which are designed to unlock more lending across the industry. We have made use of this greater flexibility to extend our Income Plus and other lending, whilst ensuring borrowers can afford repayments.

Investment for the future underpinned by a sustainable business model

We made further progress in modernising our IT platform in 2025, completing the first mortgage journey on our new platform in December. This milestone means we have proven the technology and achieved everything we set out to achieve by the end of 2025. We will continue the development of the new platform this year, introducing more functionality and capabilities, which will make a significant difference to our colleague and member experience for the future, whilst also leveraging our existing systems to support real member value.

We achieved a profit before tax of £198.6 million in 2025 (2024: £137.5 million, underlying profit before tax £187.5m), reinforcing our ability to invest in the long-term replacement of our core banking platform and future-proof the business. Total assets increased to £32.0 billion (2024: £31.6 billion) and we maintained a strong capital and liquidity position throughout the year, with all capital ratios materially higher than the regulatory minima, in line with our prudent approach to protecting our long-term sustainability. Our Common Equity Tier 1 (CET 1) capital ratio was 25.5% at 31 December 2025 (2024: 25.7%). Our cost to income ratio, after adjusting for transformation costs, remains excellent and is one of the lowest in the sector at 46.1% (2024: 46.6%).

² Source: CACI's CSDB, Stock, January 2025 to December 2025, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

³ Your Money: Leeds Building Society commits to keeping savings passbooks: yourmoney.com/saving-banking/leeds-building-society-commits-to-keeping-savings-passbooks

⁴ Research of 461 Leeds Building Society members, carried out between 4-8 October 2024

Chief Executive Officer's Highlights continued

Despite challenging economic conditions, I'm pleased to report that arrears figures modestly improved to 0.57% at the end of 2025 (2024: 0.61%). There are many reasons customers may find it difficult to make their mortgage payments and our specialist teams continue to support members who may be struggling.

Our performance is underpinned by good governance, strong risk management, and an excellent leadership team, and I would like to take this opportunity to express my personal thanks to Richard Fearon for his time as CEO and to wish him all the best for the future. I worked closely with Richard for several years whilst serving on the Society's Board and will continue to build on his progress in my role as Interim CEO until a permanent replacement joins us.

Making a difference to our society

In our anniversary year, I'm proud to say that we continued to support the communities around us, donating an additional £100,000 to the Leeds Building Society Foundation. In total, the Foundation awarded over £450,000 in grant funding in 2025, enabling 50 charities across the UK to support those in need of safe and secure housing. In 2024, we launched a new three year partnership with the UK's largest children's charity, Barnardo's, to build brighter futures for care-experienced young people. We committed to raising at least £300,000 for them over three years but have impressively achieved that ahead of schedule, increasing our target to £500,000 by the end of 2027.

Last year we also launched a partnership with Become, the national charity for care leavers, to trial a six week programme called KEYS: Knowledge and Essentials for Your Space. The programme consists of courses designed to help care experienced young people gain the skills and knowledge needed to move into independent living. We are already seeing positive effects from this partnership, with young people involved in the scheme going on to secure employment and housing of their own.

Colleagues, who were awarded an extra day for skills based volunteering last year, donated over 8,000 hours to charities. Colleagues regularly go above and beyond to support members and communities, and the Society is fortunate in having employees with such a strong sense of identity and purpose. We are an inclusive organisation and remain committed to supporting both the wellbeing and development of our diverse workforce. This commitment was recognised in 2025 when we became the first organisation to be accredited with a Gold Inclusive Employers Standard twice.

Throughout 2025, the effects of climate change have continued to develop. At the same time, the pace of change to address the causes remains too slow and views on net zero have become more divided, driven by global geopolitical events and uncertainties. We remain dedicated to achieving an orderly transition to net zero by 2050 and took further steps towards our net zero ambitions in 2025. We continued to deliver our multi-year investment to make our branch network more energy efficient and launched a new green additional borrowing product, supporting members to purchase a range of energy efficient home improvements. These actions allowed us to meet all four of our 2025 climate targets; however, the longer term remains less certain. Reaching all our near-terms targets remains unlikely without urgent action from government, society, and industry.

Looking to the future

As custodians of Leeds Building Society, we have a responsibility to make decisions that protect the long-term interests of our members and ensure we remain a resilient organisation that can navigate any uncertainty that lies ahead. This will be key as we look ahead to 2026.

The level of competition within the market has increased considerably over the course of the year and the immediate economic outlook remains uncertain. Our business model is robust, and the multi-year modernisation of our core banking platform will set us up to respond to these competitive conditions, enabling us to continue delivering our purpose. Our financial performance in 2025, the broader strength of our balance sheet, our talented and responsive colleagues, our skilled leadership team, and strong leadership appointments, all give me confidence that the Society is in a great place as we embark on our next 150 years.

I look forward to continuing to work closely with our members, our colleagues, and with the Board to drive our purpose forward.

Annette Barnes
Interim Chief Executive Officer

26 February 2026

Business Model and Strategy

Year ended 31 December 2025

Our strategy and business model

Leeds Building Society is the fifth largest building society in the UK, with assets of £32.0 billion. As a mutual organisation we are owned by our members and we strive to act in their best interests as well as those of our wider stakeholders, both now and over the long term.

Our purpose is **'Putting home ownership within reach of more people – generation after generation'**. Home ownership has always been an important focus for our business since it was founded in 1875, and, like our founders, we believe more people should have the security of owning their own home. We are committed to supporting our members onto and up the housing ladder, as well as supporting them to remain in their home when faced with financial uncertainties. Our strategic drivers and behaviours enable us to do so.

Over 2025, the senior leadership team has been refining our strategy, ensuring it balances the appropriate ambition and focus to support the ongoing success of the Society both over the near-term and long term, particularly in the context of the dynamic and competitive nature of the markets in which we operate. To support our success, we have evolved our strategic focus including introducing a new set of strategic drivers that will guide our future collective efforts to deliver on our purpose. They define what we must prioritise to create the greatest impact for our members, colleagues, and society.



In terms of our overall strategy, in the near-term we are well progressed with our core banking transformation programme and development of colleague skills for the future, whilst continuing to deliver for our members. These will help to enable the realisation of our long term strategy to be a dynamic, customer focused mutual that harnesses our expertise and technological strengths to eliminate barriers to home ownership.

Our **Customer Experience** driver is focused on crafting tailored, intuitive experiences where technology harmonises with genuine human understanding. **Market Participation** focuses on designing propositions to meet evolving customer needs in order to thrive within our dynamic markets. **Productivity** is about harnessing the power of our colleagues and technology for efficiency and empowerment.

Each strategic driver is designed to deliver on our purpose by addressing the most important challenges and opportunities facing our members and society. They connect, feed into, and support each other, creating a responsive, innovative, and purpose-led strategy.

Our business model

Our simple business model supports delivery of our purpose, through providing a safe and rewarding place to save, and supporting home ownership by providing a range of mortgages to our members.

We provide residential mortgages in the UK, through a network of approved mortgage brokers and directly to members through online and telephone channels, to help members into homes of their own. We offer mortgage products across mainstream residential, buy to let and a range of other segments, such as shared ownership and interest only. As a way of helping to put home ownership within reach of more people, we don't offer new mortgages on second homes, because these reduce the availability of homes for local residents. For the same reason, we have also continued to restrict lending on holiday lets in two popular UK tourist hotspots, following the end of pilots in those areas.

We fund the majority of mortgage lending with members' savings, through a range of channels. We've continued to support savers with our rates averaging 0.90%¹ above the market average during the year. The remainder is funded from wholesale money markets on competitive terms and government-supported funding schemes aimed at increasing the level of lending across the market.

Our strong liquidity position helps to make sure that there are sufficient funds available to meet the requirements of savers, investors and other creditors. Liquidity is invested in a range of high quality investment instruments and across a range of counterparties. Environmental, Social and Governance (ESG) factors are considered when assessing the creditworthiness of our counterparties for liquidity investments and, if a counterparty was judged not to meet these criteria, then their limit could be withdrawn.

We aim to generate sufficient profit through cost efficiency and management of the net interest margin in order to maintain a strong capital position, supporting delivery of our purpose generation after generation. As a result, we can continue to invest in the Society for the benefit of our membership as a whole – e.g. by improving customer experience, modernising our technology platforms, maintaining branches and enhancing the colleague working environment.

Longer term, while we believe that our core product lines are sustainable into the future, we expect the markets we operate in to remain fiercely competitive, and we will need to adapt accordingly.

We continue to invest in our mortgage and savings systems to improve efficiency, speed up processing times and improve customer experience. This will help us to serve the evolving needs of more members, both through how they choose to do business with us and by providing products relevant to them. We continue to review opportunities to meet existing and new members' needs better, including the development of our products and distribution channels.

¹ Source: CACI's CSDB, Stock, January 2025 to December 2025, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

Our business model is summarised below:



A key element of our mutual business model is also providing social value to our stakeholders, and there are some examples of how we do this in the next page.

Our Impact Report demonstrates the impact of our ESG activities and clearly outlines our aim to drive positive social and environmental impact through what we do, now and into the future. The report is published on our website at leedsbuildingsociety.co.uk/your-society/agm

We deliver social value through the provision of:

Members and brokers



A range of mortgages – to enable borrowers to achieve the basic societal need of having a home; supporting first time buyers and home owners to move onto and up the property ladder and to remain in their home.



Competitive savings rates – on a range of simple products designed to meet the different savings needs of our members and enable them to save for what's important to them, including to buy a home.



A secure home for members' savings – our financial strength means we are able to generate robust profits that enable us to remain financially resilient and allow us to make longer term decisions in the best interest of members.



Excellent customer service – our colleagues are focused on supporting the differing and evolving needs of our members and brokers, generating consistently high levels of satisfaction.

Colleagues



Opportunities for professional growth – we offer a culture that is inclusive and supportive, with meaningful roles that are fairly rewarded. We support colleagues to continually develop their skills, enabling them to build a career that is right for them. Our annual engagement scores place us within the top 25% of the UK financial services sector benchmark.

Communities



Support for the communities in which we operate – we contribute directly to society through the work of the Leeds Building Society Foundation, our fundraising efforts, colleague volunteering scheme, and by paying our fair share of tax to support essential services.

Environment



Propositions which support a reduction in climate risk and environmental impact – the increased focus on climate issues presents further opportunities for the traditional mutual model to evolve and deliver innovative solutions that contribute to a sustainable future. **We continue to take actions to reduce our own emissions footprint.**

Third parties



Products and services developed and delivered through working with a number of trusted third parties – setting out clear expectations on how we expect them to behave and align with our values and ESG aims within our Supplier Code of Conduct².

Regulators



A strong focus on risk management and customer-centred decision-making – with our **Mutuality Statement**³ and **ESG Policy**⁴ setting out how we continually strive to do the right thing for our members, colleagues, communities and the environment in which we operate.

Investors



A safe and secure investment – we maintain our financial stability through strong income performance, a continued focus on cost efficiency and by keeping a robust liquidity position, and always striving to act responsibly as a business.

² This can be found on our website at leedsbuildingsociety.co.uk/resources/pdfs/supplier-code-of-conduct.pdf

³ This can be found on our website at leedsbuildingsociety.co.uk/your-society/about-us/mutuality

⁴ This can be found on our website at leedsbuildingsociety.co.uk/your-society/financial-information

Progress on 2025 corporate priorities

During the year, we've continued to deliver against our strategy by focusing on our corporate priorities. We've demonstrated our responsiveness through a changing economic and market environment and have pushed forward on developing our technological and people capability for the future, whilst also offering excellent customer service and improving products and propositions for our mortgage and saving members. Our progress against our corporate priorities is detailed below.

Corporate priority and progress in 2025

Deliver our core banking transformation programme

- We continue to deliver at pace on our core banking transformation, and we are on track to achieve our objectives. We successfully built and validated an early build of our savings and mortgages journeys in the new core ecosystem, reducing risk through an incremental delivery approach.
- A small number of colleague savings and mortgages accounts are now live in the new system and are serviceable. This milestone proved the technology worked as intended and marked a significant step forward.
- The programme has strengthened colleague engagement, supported by strong leadership advocacy and contribution to the programme. Through our incremental delivery approach, colleagues are starting to see the benefits the new core platform will bring to our customers and colleagues, witnessing the build of colleague-facing screens.
- We've ensured we have effective resourcing and development plans, supporting over 150 colleagues to enable and deliver the core programme.

Evolve our strategic focus and organisation to accelerate delivery of our purpose in a post-core banking transformation world

- Our modernised core banking platform is set to simplify processes, empower colleagues, and boost productivity by being more intuitive, enabling more efficient and flexible processes, and therefore delivering considerable time savings. This will create more opportunity for more nimble future innovation as we harness the power of this technology.
- Our programme team has grown to over 300 colleagues and partner employees in conjunction with our third party delivery partnerships. We continue to evolve and add relevant expertise to accelerate delivery and shape our future operating model. Working at this scale enables us to refine best practices and modernise engineering tools to support our ambitious plans. We remain fully focused on achieving our transformation goals.
- In 2025, we also expanded the talent readiness data we collect to all leadership levels. This enables us to understand the diversity of our pipeline, as well as readiness to respond to business change, and tailor interventions where required.
- During the year, we have also taken steps to evolve our strategy, introducing a new set of strategic drivers that are designed to be dynamic, integrated, and future-focused, as explained on page 9. The senior leadership team have been creating transformation plans aligned to our future strategy to enable focused decision-making on future initiatives in the Society's next strategic phase.

Corporate priority and progress in 2025

Embed behaviours and raise the bar on performance and our leadership capability to lead the transformation and realise our future ambition

- Our engagement score in our annual survey was 8.4 (out of 10), flat year-on-year. In March and October, we surveyed colleagues with a reduced question set to enable us to more regularly monitor colleague sentiment on key topics.
- We launched our People Leader Fundamentals programme in November, focused on upskilling all our people leaders on the role they play to empower their colleagues as we continue to evolve the Society to respond to our members' and market needs.
- To further build leadership capability we have evolved our focus to further ensure strategy alignment and peer collaboration.
- We have continued to focus on board and management effectiveness, more information on this can be found in the Corporate Governance report on pages 87 to 111.

Advance our purpose by delivering our ambitious corporate plan goals

- We continued to advance our purpose during 2025 in a number of ways, including improving our proposition to support more first time buyers and home movers, and ensuring financial stability to support innovation. Our membership grew to one million members, meaning we are helping to support more members to save and to have a home of their own.
- Despite competition in the mortgage market intensifying during 2025, net lending was £1.5 billion (2024: £2.6 billion) which has resulted in 5.8% growth in our residential mortgage portfolio.
- The Society continues to be predominantly funded by savers and during 2025 our net retail savings grew by £0.6 billion (2024: £2.8 billion), taking total retail savings up to £26.1 billion. We consistently pay above average market rates to our savers, paying an average of 3.92% compared to the rest of market average of 3.02%⁴.
- We continued to deliver purpose-led product innovation, informed by the needs of our members and prospective first time buyers. We reduced the minimum income requirement on our Income Plus mortgage product to enable us to support more first time buyers, as well as widening access to mortgage products that support those with complex or non-standard income. We have also launched our first green mortgage product, to support home owners make energy efficient improvements to their homes.
- We have made changes to our credit decisioning process to improve member experience e.g. enabling members to share their bank statements with us more easily through the use of open banking, as well as enabling fully automated mortgage offers within seconds, helping around 5% of our applicants gain mortgage certainty quickly.
- During 2025 we won a number of awards demonstrating our commitment to first time buyers and our shared ownership proposition, including the What Mortgage Best Shared Ownership Mortgage Lender award, which we won for the tenth year in a row.
- Our broker net promoter score remains high at 63 (2024: 58) as we continue to focus on the broker experience and a streamlined process for issuing offers. We are also issuing mortgage offers faster, as shown by a two-day reduction in time between receiving an application and making an offer (2025: 11 days; 2024: 13 days).
- In 2025 we rolled out Microsoft Copilot, an Artificial Intelligence (AI) tool that can support our colleagues to work more efficiently, to all colleagues, underpinned by training and guidance. The adoption of AI in an ethical and risk managed way supports us in streamlining our processes, increasing productivity and developing the skills we need for the future.
- Delivery of our purpose is underpinned by the effective identification and management of the risks we face. For information on risks faced by the Society, please see the Risk Overview on pages 37 to 40, Climate-Related Financial Disclosures on pages 43 to 56 and the Risk Management report on pages 59 to 85. Also see our Climate-Related Financial Disclosures and Transition Plan which has been published on our website at leedsbuildingsociety.co.uk/your-society/financial-results.

⁴ Source: CACI's CSDB, Stock, January 2025 to December 2025, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

Our culture

By harnessing technology and empowering our colleagues, we can work smarter and create a space for everyone to thrive, feel valued, and make a difference. We're shaping tomorrow, where curiosity drives us and the right conversations spark progress. By focusing on what truly matters we can push forward and deliver the best outcomes for our members and colleagues.

We know our colleagues make the difference

We empower our colleagues to champion changes that help us evolve and be even better, delivering a lasting impact so that we can continue to deliver our purpose. We create two-way dialogue through several channels including:

Colleague surveys: in 2025 we ran three colleague surveys to monitor colleague sentiment and provide an avenue for feedback. 89% of our colleagues completed our annual survey, with an engagement score of 8.4 (out of 10), maintaining our position within the top 25% of the UK financial services sector benchmark.

Colleague Association: our non-executive director colleague engagement champion leads on elevating colleague voice on the Board, and met regularly with members of our Colleague Association. Annette Barnes held this role as a non-executive director until she was appointed as Interim CEO, and subsequently our non-executive director Pam Rowland took on this responsibility. With 1,373 members this feedback loop ensures senior leaders are focusing on what matters most to our colleagues.

Colleague groups: across the Society we have several colleague led groups:

- Colleague Voice networks: launched in 2025, colleagues from each division come together to enhance the colleague experience with support from their leadership team.
- Inclusion and Diversity (I&D) forums: on DiverseAbility, Ethnicity and Cultural Heritage, Gender Equality, LGBTQ+ and Wellbeing with representatives from all business areas, meeting monthly with our I&D team. The forums support our I&D strategy, with sponsorship from a senior leader.
- Green Champions: work to increase colleague awareness around climate and other environmental impacts, providing opportunities for colleagues to share suggestions and complete volunteering activity which has a positive environmental impact.

Branch Buddy: in 2025 we launched our branch buddy programme, where members of the leadership team buddy with one of the branches in our network. Our leaders visit their branch across the year to support cascading of key messages, hear colleague views and connect with our members.

Our colleague groups help shape and inform Society activity where appropriate, from reviewing relevant policies, to informing training and providing feedback on current Society culture. Our Board continues to be engaged with our colleague led groups. Pam Rowland, our non-executive director colleague engagement champion, hosted two focused listening sessions with colleagues across the Society in 2025, including forum and network representatives, as well as colleagues and people leaders. To read more about the Board's engagement with colleagues, see pages 100 to 102.

A space to belong and feel valued

We're shaping a future where everyone feels valued for what they bring, a collaborative environment where diverse perspectives are sought to fuel innovation and help to deliver our purpose. We do this by embedding inclusive practices and recognising the efforts of our colleagues to adapt and evolve the Society to deliver for our members today and in the future.

Inclusion and diversity:

Our I&D strategy, Being You; Transforming Us, is focused on ensuring our colleagues have a true sense of belonging. Within our annual colleague survey, we placed within the top 10% in financial services on inclusion and diversity. Progress to the strategy and our ongoing work was independently assessed by Inclusive Employers and we were delighted to retain our Gold accreditation this year.

We remain focused on improving diverse representation at senior leadership levels as we acknowledge we have more progress to make. We know that relying on external hires alone will not create the shifts we need to see and are therefore committed to growing our internal talent pipeline. In 2025 we have seen the benefit of this focus across changes in our executive committee with a blend of internal progression and external hires, this has seen our representation shift to 50% female, up from 25% at the end of 2024.

In 2025, we expanded the talent data we collected to include all leadership roles and, in some divisions, going further into management positions. This will enable us to review the true diversity of our internal talent pipelines and bespoke interventions to relevant need. More information on the diversity of our workforce can be found on page 106.

Recognising our colleagues:

We value the contribution of our colleagues every day, from an in-the-moment thank you to more formal recognition; we know that our colleagues shape the Society's future. Our digital recognition tool continues to be well utilised with 6,362 pieces of recognition shared across 2025. Our Excellence in Action awards provide an opportunity to celebrate real change makers and our colleagues who role model our behaviours every day. Across both our annual and quarterly recognition we received 289 nominations.

Business Model and Strategy continued

Meaningful reward:

It is important that our colleagues feel fairly rewarded for their contributions. Our colleagues scored us a 7.8 out of 10 on the colleague survey question 'I am fairly rewarded (e.g. pay, promotion, training) for my contributions to Leeds Building Society' maintaining our position in the top 25% for UK financial services sector employers.

Since 2019 we have been a Real Living Wage Employer, paying colleagues at least the Real Living Wage. Minimum salary levels from April 2026 will be £13.73 per hour, which is £0.28 above the Real Living Wage (outside of London). As part of our pay practices, we review salary benchmarks annually against job specifications, adjusting where required.

Our 2025 Gender Pay Gap report showed 26.7% and 29.2% for mean and median respectively. We also made the decision to publish our Ethnicity Pay Gap report for the first time as part of our journey to greater transparency, which showed a 16.1% and 7.5% mean and median gap respectively. The main driver for our pay gaps continues to be the makeup of our workforce as we have fewer women and ethnically diverse colleagues in more senior roles.

A home for colleagues to thrive and grow

Together, we're shaping a place where everyone can thrive and grow, where learning new skills is part of our every day, helping generate new ideas and enabling us to deliver our purpose.

Developing skills:

We offer a variety of options for our colleagues from self-directed learning through to facilitator-led training. Thrive! (our digital learning pathway) makes it easy for colleagues to take ownership of their own skills journey, tailoring recommended courses and learning based on individual need. Across this year learning content on Thrive! has been viewed 416,170 times, an average of 226 per colleague.

Our relationships with external partners such as the Financial Services Skills Commission (FSSC) enable us to ensure we are investing in the skills that matter most, not just for today but also for the future. This insight helps inform our focus areas, including where we invest in apprenticeships or funding of external development programmes. We continue to embrace a holistic approach to skills development, assessing external trends and internal capability to build the skills we need now and for the future.

In 2025, 114 colleagues undertook apprenticeships or external learning opportunities. These focused on areas such as our coaching capability, a key skill identified for the future, and initiatives to support the development of our diverse pipelines.

Enabling wellbeing:

Supporting our colleagues to thrive at work is a key focus; we know that for our colleagues to do their best work for our members, they need to feel at their best. As part of our annual survey, we ask colleagues questions relating to health and wellbeing and the support that is available to them. We retained our position in the top 25% for UK financial services sector employees in our health and wellbeing score in 2025.

Our wellbeing provision includes access to a variety of benefits, from our Colleague Assistance Programme to focused wellbeing app 'Peppy', access to a virtual GP service and cash health plan. We have a hybrid working model for our office-based team and a variety of flexible working options available.

Developing our leadership capability:

Delivering high performance across our teams is a top priority and we know that this can only be achieved through having effective leadership capability. Our leaders play a significant role in aligning colleague work to our purpose, providing the right stretch and feedback for our colleagues to grow, and recognising the work our colleagues do in the moment. We continue to invest in our leadership capability through:

- People Leadership Fundamentals: a programme for all people leaders focused on setting the bar and providing the right skills and learning to get the foundations right. This programme launched in November 2025 and will continue to evolve across 2026.
- Learning pathways: focused support to further develop key skills which can be personalised to individual needs. Content for this audience is focused on building the skills we need based on external insight such as the FSSC skills framework.
- Leadership alignment: our business leaders are brought together regularly to ensure alignment on key strategic priorities. This includes a monthly call on member, colleague and trading updates. Our annual leadership conference focused on the value to our members of aligning around our strategic priorities in 2026. We heard from a number of members in the room, who provided their views of our current service provision and recommendations for the future.
- Launch of digital people data: as we continue our digital journey, we are leveraging tools such as PowerBI to provide business leaders with relevant data insights to help inform decision-making in the moment. In 2025, we rolled out people dashboards across divisions with support and training to further enhance our data literacy.

Simplification of process:

We want our colleagues to be focused on the things that make the biggest difference for our members and are therefore committed to continuous improvement and simplification. In 2025, we rolled out access to Copilot, an AI tool that can support our colleagues to work more efficiently. We will continue to review AI usability, ensuring an ethical and risk-measured approach.

As part of our long term strategy we continue to review and make enhancements to our human resource system, including simplification of policies and smoother system journeys. As part of People Leader Fundamentals we also created a people leader hub on our internal intranet, creating a central place for key information to be sourced. We will be reviewing a similar hub for our colleagues in 2026.

Beyond our teams

We are passionate about promoting the financial services sector as an industry where individuals can thrive and build a career that is right for them. We know that this will support the industry in attracting the best, diverse talent, helping us meet the needs of our communities. That's why we've continued to invest in our digital work experience programme with over 1,000 colleagues taking part in the last 12 months. The programme is free to access, enabling us to reach a broader range of young talent and to date 56% of those enrolled in the programme were ethnically diverse, 31% have free school meals, 14% are care-experienced and 12% are living with a disability. We are also members of the Financial Services Skills Commission, with representation on their Board and across working groups to help inform and tackle the challenges the industry is facing collectively.

More details relating to how we support our colleagues can be found in the 'Empowering our colleagues' section of our Impact Report.



The Impact Report can be found at Report and Documents section of the AGM hub at: leedsbuildingsociety.co.uk/your-society/agm

Key performance indicators

The Society measures its performance against its strategic drivers using a number of key performance indicators (KPIs), including both financial measures, as defined under International Financial Reporting Standards (IFRS), and non-financial measures. Alternative performance measures (APMs) given below are in common use across the financial services industry and are useful in explaining the performance of the business. The APMs are defined in the Glossary on page 221.

KPIs															
First time buyers	The number of new mortgage members in the year who are first time buyers, demonstrating our purpose of putting home ownership within reach of more people.	<table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2025</td><td>17,100</td></tr> <tr><td>2024</td><td>17,600</td></tr> <tr><td>2023</td><td>17,700</td></tr> <tr><td>2022</td><td>18,000</td></tr> <tr><td>2021</td><td>22,000</td></tr> </table>	Year	Value	2025	17,100	2024	17,600	2023	17,700	2022	18,000	2021	22,000	<p>Our mortgage membership continues to grow, and we have maintained our high level of support for first time buyers across the UK.</p> <p>Despite challenging market conditions, first time buyer members represented almost half of our 2025 new mortgage members.</p>
Year	Value														
2025	17,100														
2024	17,600														
2023	17,700														
2022	18,000														
2021	22,000														
Profit before tax	Profit before tax, as reported in the income statement, creating capital to support future business growth.	<table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2025</td><td>£198.6m</td></tr> <tr><td>2024</td><td>£137.5m</td></tr> <tr><td>2023</td><td>£181.5m</td></tr> <tr><td>2022</td><td>£220.5m</td></tr> <tr><td>2021</td><td>£163.7m</td></tr> </table>	Year	Value	2025	£198.6m	2024	£137.5m	2023	£181.5m	2022	£220.5m	2021	£163.7m	<p>Profit before tax has increased when compared to the previous period. This increase was predominantly driven by a rise in net interest income which is related to the growth in our residential mortgage book. The prior period included three significant items which together suppressed results by £50.0m⁵.</p>
Year	Value														
2025	£198.6m														
2024	£137.5m														
2023	£181.5m														
2022	£220.5m														
2021	£163.7m														
Net interest margin	The difference between interest received on assets and interest paid on liabilities, measured as a percentage of mean assets. This is the Society's main source of income.	<table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2025</td><td>1.27%</td></tr> <tr><td>2024</td><td>1.21%</td></tr> <tr><td>2023</td><td>1.26%</td></tr> <tr><td>2022</td><td>1.50%</td></tr> <tr><td>2021</td><td>1.31%</td></tr> </table>	Year	Value	2025	1.27%	2024	1.21%	2023	1.26%	2022	1.50%	2021	1.31%	<p>Net interest margin has increased modestly in 2025 and has remained broadly stable when compared to the second half of 2024 (1.24%).</p>
Year	Value														
2025	1.27%														
2024	1.21%														
2023	1.26%														
2022	1.50%														
2021	1.31%														
Cost to income ratio	A cost efficiency ratio which measures costs in relation to the Society's income. It is calculated as the percentage of the Society's total income spent on administrative expenses and depreciation and amortisation.	<table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2025</td><td>52.2%</td></tr> <tr><td>2024</td><td>51.7%</td></tr> <tr><td>2023</td><td>47.3%</td></tr> <tr><td>2022</td><td>37.4%</td></tr> <tr><td>2021</td><td>43.9%</td></tr> </table>	Year	Value	2025	52.2%	2024	51.7%	2023	47.3%	2022	37.4%	2021	43.9%	<p>We maintained a robust cost to income ratio during the financial year with a strong focus on balancing cost efficiency with the desire to increase member value through more resilient systems and improved service.</p> <p>We have increased the level of investment into our IT transformation programme, which will support operational efficiency, high customer service levels and technology resilience for many years into the future.</p>
Year	Value														
2025	52.2%														
2024	51.7%														
2023	47.3%														
2022	37.4%														
2021	43.9%														
Cost to mean asset ratio	An additional cost efficiency ratio which measures costs in relation to the Society's total assets. It is calculated as administrative expenses plus depreciation and amortisation, divided by average total assets.	<table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2025</td><td>0.68%</td></tr> <tr><td>2024</td><td>0.66%</td></tr> <tr><td>2023</td><td>0.63%</td></tr> <tr><td>2022</td><td>0.59%</td></tr> <tr><td>2021</td><td>0.58%</td></tr> </table>	Year	Value	2025	0.68%	2024	0.66%	2023	0.63%	2022	0.59%	2021	0.58%	<p>Our cost ratios remain among the best in our sector and if we exclude transformation costs, the cost to income ratio becomes 46.1% and the cost to mean asset ratio 0.60%.</p>
Year	Value														
2025	0.68%														
2024	0.66%														
2023	0.63%														
2022	0.59%														
2021	0.58%														

⁵ 2024 underlying profit before tax was £187.5 million and excluded three one-off items: 1) repurchase of the Society's Permanent Interest-Bearing Shares (PIBS), 2) the revaluation of our Head Office building and 3) the cost of the voluntary financial support we offered to those members who were impacted by the collapse of Philips Trust Corporation (PTC).

KPIs

<p>Common Equity Tier 1 (CET1) ratio</p>	<p>The highest quality form of capital that mainly comprises retained earnings and other reserves, as a proportion of risk weighted assets (RWAs). This is measured to help make sure that the Society retains an excess over the regulatory minimum.</p>	<table border="1"> <thead> <tr> <th>Year</th> <th>CET1 Ratio</th> </tr> </thead> <tbody> <tr> <td>2025</td> <td>25.5%</td> </tr> <tr> <td>2024</td> <td>25.7%</td> </tr> <tr> <td>2023</td> <td>28.2%</td> </tr> <tr> <td>2022</td> <td>33.3%</td> </tr> <tr> <td>2021</td> <td>38.0%</td> </tr> </tbody> </table>	Year	CET1 Ratio	2025	25.5%	2024	25.7%	2023	28.2%	2022	33.3%	2021	38.0%	<p>Our CET1 ratio is in line with the prior period with profit generated offsetting increases in risk-weighted assets (RWAs). The Society remains in excess of all capital regulatory requirements and well placed to meet any future regulations.</p>
Year	CET1 Ratio														
2025	25.5%														
2024	25.7%														
2023	28.2%														
2022	33.3%														
2021	38.0%														
<p>Colleague engagement score</p>	<p>Colleague engagement is measured through our survey platform. Across 2025 we ran two pulse check-ins on critical surveys (March/October) and conducted our full survey in July.</p>	<table border="1"> <thead> <tr> <th>Year</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>2025</td> <td>8.4</td> </tr> <tr> <td>2024</td> <td>8.4</td> </tr> <tr> <td>2023</td> <td>8.3</td> </tr> <tr> <td>2022</td> <td>8.0</td> </tr> <tr> <td>2021</td> <td>8.0</td> </tr> </tbody> </table>	Year	Score	2025	8.4	2024	8.4	2023	8.3	2022	8.0	2021	8.0	<p>We are proud that we continue to have a highly engaged colleague workforce, as this remains integral to ensuring we deliver our purpose. This score places us in the top 25% for the UK financial services sector benchmark.</p>
Year	Score														
2025	8.4														
2024	8.4														
2023	8.3														
2022	8.0														
2021	8.0														
<p>New (gross) residential lending</p>	<p>The value of residential lending advanced by the Society during the year, including loans for house purchases, remortgages and further advances.</p>	<table border="1"> <thead> <tr> <th>Year</th> <th>Value (£bn)</th> </tr> </thead> <tbody> <tr> <td>2025</td> <td>£5.0bn</td> </tr> <tr> <td>2024</td> <td>£5.7bn</td> </tr> <tr> <td>2023</td> <td>£4.4bn</td> </tr> <tr> <td>2022</td> <td>£5.0bn</td> </tr> <tr> <td>2021</td> <td>£4.4bn</td> </tr> </tbody> </table>	Year	Value (£bn)	2025	£5.0bn	2024	£5.7bn	2023	£4.4bn	2022	£5.0bn	2021	£4.4bn	<p>Our purpose-focused product proposition has allowed us to support 34,600 new members in their home ownership aspirations and deliver our third highest ever level of gross lending.</p>
Year	Value (£bn)														
2025	£5.0bn														
2024	£5.7bn														
2023	£4.4bn														
2022	£5.0bn														
2021	£4.4bn														
<p>Net residential lending</p>	<p>Gross residential lending, less repayments of principal and redemptions.</p>	<table border="1"> <thead> <tr> <th>Year</th> <th>Value (£bn)</th> </tr> </thead> <tbody> <tr> <td>2025</td> <td>£1.5bn</td> </tr> <tr> <td>2024</td> <td>£2.6bn</td> </tr> <tr> <td>2023</td> <td>£1.5bn</td> </tr> <tr> <td>2022</td> <td>£2.0bn</td> </tr> <tr> <td>2021</td> <td>£1.5bn</td> </tr> </tbody> </table>	Year	Value (£bn)	2025	£1.5bn	2024	£2.6bn	2023	£1.5bn	2022	£2.0bn	2021	£1.5bn	<p>Our robust volumes of new lending and competitive product transfer offering to existing customers coming to the end of their initial product term has enabled us to deliver positive levels of net lending.</p>
Year	Value (£bn)														
2025	£1.5bn														
2024	£2.6bn														
2023	£1.5bn														
2022	£2.0bn														
2021	£1.5bn														
<p>Number of days from mortgage application to offer</p>	<p>The average number of business days it takes to issue a mortgage offer from initial receipt of the application.</p>	<table border="1"> <thead> <tr> <th>Year</th> <th>Days</th> </tr> </thead> <tbody> <tr> <td>2025</td> <td>11</td> </tr> <tr> <td>2024</td> <td>13</td> </tr> <tr> <td>2023</td> <td>11</td> </tr> <tr> <td>2022</td> <td>15</td> </tr> <tr> <td>2021</td> <td>18</td> </tr> </tbody> </table>	Year	Days	2025	11	2024	13	2023	11	2022	15	2021	18	<p>We are issuing mortgage offers faster, as shown by the reduced time between receiving an application and making an offer.</p>
Year	Days														
2025	11														
2024	13														
2023	11														
2022	15														
2021	18														

Business Model and Strategy continued

KPIs															
Broker Net Promoter Score (NPS)	Demonstrates how likely brokers are to recommend the Society to their peers. Calculated using the percentage of people who are extremely likely to recommend and subtracting those who are unlikely to recommend.	<table border="1"> <tr><th>Year</th><th>NPS</th></tr> <tr><td>2025</td><td>63</td></tr> <tr><td>2024</td><td>58</td></tr> <tr><td>2023</td><td>62</td></tr> <tr><td>2022</td><td>63</td></tr> <tr><td>2021</td><td>56</td></tr> </table>	Year	NPS	2025	63	2024	58	2023	62	2022	63	2021	56	Our broker NPS remains high as we continue to focus on the broker experience and a streamlined process for issuing offers.
Year	NPS														
2025	63														
2024	58														
2023	62														
2022	63														
2021	56														
Savings balances	The value of deposits held by the Society's members and other customers, as reported in the statement of financial position.	<table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2025</td><td>£26.1bn</td></tr> <tr><td>2024</td><td>£24.5bn</td></tr> <tr><td>2023</td><td>£20.8bn</td></tr> <tr><td>2022</td><td>£17.5bn</td></tr> <tr><td>2021</td><td>£15.3bn</td></tr> </table>	Year	Value	2025	£26.1bn	2024	£24.5bn	2023	£20.8bn	2022	£17.5bn	2021	£15.3bn	We continue to attract more new savings members period on period with our competitive fixed and variable rate products. We have gained 85,600 new savings members this year.
Year	Value														
2025	£26.1bn														
2024	£24.5bn														
2023	£20.8bn														
2022	£17.5bn														
2021	£15.3bn														
Extra savings interest	The extra interest for our savers of paying above market rates to savers, based on the Society's weighted average savings rate compared to the rest of market rate ⁶ .	<table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2025</td><td>£225.6m</td></tr> <tr><td>2024</td><td>£175.0m</td></tr> <tr><td>2023</td><td>£110.0m</td></tr> <tr><td>2022</td><td>£80.5m</td></tr> <tr><td>2021</td><td>£71.5m</td></tr> </table>	Year	Value	2025	£225.6m	2024	£175.0m	2023	£110.0m	2022	£80.5m	2021	£71.5m	We consistently pay above average market rates to our savers, paying an average of 3.92% compared to the rest of market average of 3.02%.
Year	Value														
2025	£225.6m														
2024	£175.0m														
2023	£110.0m														
2022	£80.5m														
2021	£71.5m														
Member satisfaction	The percentage of customers surveyed who described themselves as quite, very or extremely satisfied with the service received from the Society.	<table border="1"> <tr><th>Year</th><th>Percentage</th></tr> <tr><td>2025</td><td>94%</td></tr> <tr><td>2024</td><td>94%</td></tr> <tr><td>2023</td><td>94%</td></tr> <tr><td>2022</td><td>93%</td></tr> <tr><td>2021</td><td>93%</td></tr> </table>	Year	Percentage	2025	94%	2024	94%	2023	94%	2022	93%	2021	93%	During 2025 we have consistently delivered high service levels to our members, and this is reflected in our member satisfaction score.
Year	Percentage														
2025	94%														
2024	94%														
2023	94%														
2022	93%														
2021	93%														

⁶ Source: CACI's CSDB, Stock, January 2025 to December 2025, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

ESG strategy

The themes of our ESG strategy were developed following extensive consultation with over 3,800 stakeholders on what issues were most important to them. At the end of the fifth and final year of our ESG strategy, we are pleased to report that we have met all but three out of our 15 ESG KPIs, as illustrated on page 23.

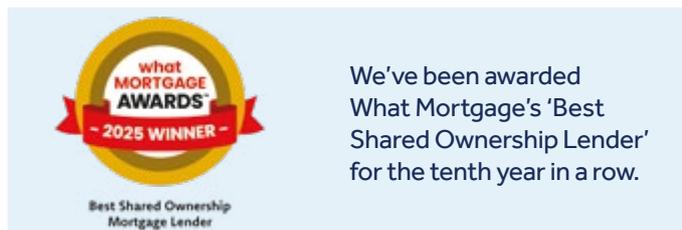
During 2025 we have been developing a refreshed ESG strategy for the next five years, consulting with a range of stakeholders to ensure our new strategy is focused on the areas important to them, to be rolled out during 2026.

Our Impact Report outlines in more detail how we are delivering our ESG strategy, and is structured around our key stakeholder groups: 'Supporting our members', 'Supporting communities', 'Empowering our colleagues' and 'Our path to net zero'. The report can be found on our website at leedsbuildingsociety.co.uk/your-society/agm.

Key achievements this year

Supporting our members

- Savers are the lifeblood of our business. That's why, as previously noted, we've consistently paid above average market rates to our savers during 2025, as well as renewing our commitment to passbooks and investing in our branches.
- We've relocated our South Shields branch and refurbished our branches in Halifax, Harrogate and North Shields. These locations are now sporting our new-look branch design, offering members a bright, welcoming and accessible environment, with more space and privacy.
- We're proud to say that our purpose-led strategy has supported 17,100 first time buyers onto the housing ladder during 2025, which was almost half of our new mortgages.
- We've put home ownership within reach of more people by making changes to our mortgage products, such as by lowering the minimum household income needed to borrow more than 4.5 times annual income. We've also continued to offer products and services which support home ownership, including our Home Deposit Saver, Experian Boost, Reach mortgages and Shared Ownership products.



- We've lobbied against cash ISA tax changes, along with the Building Societies Association and UK Finance, which has meant that the changes announced in the Budget impacted our members to a lesser extent than originally expected. We've also ensured our voice was heard regarding regulatory changes to loan to income flow limits for mortgages, designed to unlock more lending across financial services.
- In 2025 we played an active role in supporting the Shared Ownership Council, a cross-sector body established to raise standards and improve outcomes for shared owners, which led to the development of the industry-wide Shared Ownership Code.
- During 2025, we went the extra mile for our members, e.g. we offered 720 free Fraud Clinics across our branch network (also available to non-members) to help people improve their scam-spotting skills.
- We provide in depth training for colleagues to enable them to support members in financial difficulty, as well as directing members towards free independent help. We've also suspended arrears fees⁷, such as for failed direct debits, since 2020.

Supporting communities

- During 2025, we awarded £1,013,064 to communities, supporting 272 charities and non profit groups, taking the total to £4.61 million since 2021.
- We've donated over £188,000 to our charity partner, Barnardo's, including for their Gap Homes programme, to support care-experienced young people at high risk of homelessness. We've also continued to support the charity Become, to roll out a financial and life skills training programme, tailored to the specific needs of young people leaving care.
- As part of Leeds Building Society's 150th anniversary, we launched Fund 150 – a pot of £150,000 to be awarded by colleagues to charitable organisations nationally, with the aim of 'supporting vulnerable people to belong through housing and their community'. A colleague panel, with colleagues ranging from apprentice to director level, were recruited and trained to undertake the grant selection process, with five organisations being awarded £30,000 including Rowan Alba in Edinburgh and Handcrafted Projects in Sunderland.
- The Leeds Building Society Foundation awarded over £450,000 in grants to 50 charities which align with its purpose of helping people in need of a safe and secure home, including Hull Lighthouse, and Street Paws which operates across Yorkshire and the North East.

⁷ Third party costs, such as solicitor costs, are passed onto the customer

Business Model and Strategy continued

- In 2025 we have been focusing on volunteering with purpose, for organisations that truly align to supporting people into a safe and secure home. To celebrate the Society's 150th anniversary we gave our colleagues an additional seven hours of volunteering time for skills-based volunteering, meaning all colleagues had a total of 21 hours to support our community in 2025. Colleagues donated 8,089 volunteering hours to support 207 organisations, over 500 of which were to support the development of skills.

Supporting our colleagues

- Our colleague engagement score of 8.4 out of 10 puts us in the top 25% of UK financial services sector employers, with 89% of our colleagues completing our annual survey. For I&D, our colleague score of 8.9 out of 10 places us in the top 10% of UK financial services sector employers.
- Our colleagues have continued to invest in their learning with 416,170 views on our Thrive! learning solution.
- 13.2 % of colleagues have been promoted or taken on new opportunities internally across the past 12 months.
- We have been shortlisted for, or have won, a variety of HR focused awards across 2025, including the bronze innovation award for our 'hear to help' simulation training and silver award for Learning Designer of the Year. We also retained Gold accreditation with Inclusive Employers.
- Colleagues were recognised 6,651 times through our recognition reel or Excellence in Action, our formal recognition channels.
- We've continued sponsorship and attendance at both Leeds Pride and Leeds West Indian Carnival.

Supporting the climate and environment

- We've set ambitious targets and plans to be net zero in our own operations (Scope 1 and 2 market-based emissions) and to significantly reduce our energy consumption (location-based emissions) by 2034. We were on track against both our targets during 2025.
- We've published our latest Climate-Related Financial Disclosures and Transition Plan, based on the Transition Planning Taskforce's guidance, which sets out our climate ambitions and the actions and accountabilities that will underpin delivery.
- During 2025, we completed refurbishments or relocations at four branches, including removal of gas from three sites and installation of solar power at our North Shields branch.

- During 2025, we participated in the annual Financial Services Sustainable Technology Competition in collaboration with five other UK banks and building societies, Wates and the Sustainable Business Consortium, to help scale innovative solutions to decarbonise buildings in the UK. We have selected two technologies to pilot in our property estate during 2026 to help optimise and reduce the electricity consumption from our heating and cooling systems.
- We continue to reflect energy efficiency in the affordability assessment for homes, and we have launched our first ever green additional borrowing product, aligned with the principles of the Green Finance Institute, to support existing residential or buy to let mortgage holders to decarbonise their property.
- We participated in the Finance Initiative for Sustainable Procurement (FISP) Peer Group, coordinated by Accenture, collaborating with industry colleagues to enhance sustainable procurement practices within the financial sector.
- We're partnered with three non profit organisations with a focus on environmental stewardship – Yorkshire Dales Millennium Trust, Canal and River Trust and Aire Resilience Company – supporting their operations through funding and creating volunteer opportunities for colleagues to contribute directly to local conservation efforts.

Governance

- We have produced our fourth standalone Impact Report to clearly outline our ESG strategy and progress against our goals, which includes our latest ESG risk score. We have continued reporting with reference to the Global Reporting Initiative standards.
- We're proud to have been re-accredited with the Good Business Charter, which recognises and champions responsible business behaviour.

Our ESG goals

At the end of our five-year ESG strategy we have met 12 out of our 15 KPIs, with those off target relating to communities and diversity. For 2025 we set a new stretching target for charitable funding, as we had met our original target of £3 million by 2025. We are committed to achieving our 2030 I&D targets for our leadership population and are confident that the plans we have in place will enable us to make progress towards these targets across 2026. Refer to pages 23 and 43 to 56 for details of our performance against our climate targets. As part of our commitment to transparency we have published an annual Impact Report, which outlines progress in more detail.

Our ESG targets

We set ourselves targets to assess the impact we make in relation to our environmental, social and governance responsibilities.

These are regularly reviewed to help guide delivery of our ESG strategy, with dates for completion varying by target. This also includes creating new, stretching goals when existing targets have been achieved, such as our charitable funding goal. We are in the process of updating our strategy and will determine the long-term priorities and measures later this year.

Supporting home ownership

Help 65,000 first time buyers into a home of their own by 2025.

Progress: Achieved

2025 target: 65,000 first time buyers supported by the end of 2025

2025 actual: 90,400 first time buyers supported by the end of 2025

Improve mortgage broker satisfaction scores by 20% by 2025¹.

Progress: Achieved

2025 target: +60 Broker NPS²

2025 actual: +63 Broker NPS²

Maintain an average savings rate premium of at least 0.25% compared to market average.³

Progress: Achieved

2025 target: >0.25%

2025 actual: 0.90%

Sustainable communities

Provide £5m to charities and communities through grants, donations and sponsorship by 2025.

Progress: Not met⁴

2025 target: £5m by end of 2025

2025 actual: £4.6m by end of 2025

Maintain our share of UK high street branches at higher than 0.50%.⁵

Progress: Achieved

2025 target: >0.50%

2025 actual: 0.83%

Inclusion and Diversity

Achieve 45% female representation in leadership roles by 2030.⁶

Progress: Behind

2025 target: 39.2%

2025 actual: 34.5%

Achieve 10% ethnic minority representation in leadership roles by 2030.⁶

Progress: Behind

2025 target: 7.9%

2025 actual: 5.5%

Our inclusion and diversity colleague sentiment score is in top 25% of UK financial services by 2030.⁹

Progress: Ahead

2025 target: Top 25% by 2030

2025 actual: Top 10%

Climate and Environment

Reduce absolute Scope 1 and 2 market-based emissions by 90% by 2034.

Progress: Ahead

2025 target: 9% reduction

2025 actual: 71% reduction

Reduce absolute Scope 1 and 2 location-based emissions by 60% by 2034.

Progress: Ahead

2025 target: 6% reduction

2025 actual: 35% reduction

Maintain carbon neutrality (tCO₂e) for Scope 1 and 2 market-based emissions and selected Scope 3 emissions, on the pathway towards net zero.⁷

Progress: Achieved⁸

2025 target: 0 tCO₂e

2025 actual: 0 tCO₂e

Reduce absolute Scope 3 emissions (categories 1-14) by 35% by 2034.

Progress: Ahead

2025 target: 4% reduction

2025 actual: 18% reduction

Ambition to reduce the intensity of our Scope 3 financed emissions (category 15) from our residential mortgage book by 70% by 2034.

Progress: Ahead

2025 target: 7% reduction

2025 actual: 8% reduction

Trust and Transparency

Maintain strong colleague engagement score which places us in line with the UK financial services sector benchmark.⁹

Progress: Achieved

2025 target: Top 25%

2025 actual: 8.4

(placing us in the top 25%)

Maintain high member satisfaction scores of over 90%.¹

Progress: Achieved

2025 target: >90%

2025 actual: 94%

Key:

Achieved

Where performance is above target at completion of a reporting period.

Ahead

Where the cumulative performance to date is above the target on a pro-rata basis (where appropriate).

Behind/Not Met

Where the cumulative or in-year performance is below the associated target or has not been achieved at completion of a reporting period.

1. Broker satisfaction is captured by independent research of 900 interviews between January and December 2025. Overall customer satisfaction is captured from a survey of 3,409 members from January 2025 to December 2025.
2. The Net Promoter Score® (NPS) is a measure of satisfaction and loyalty based on survey responses. It measures the proportion of promoters less the proportion of detractors. We use the NPS methodology to measure satisfaction among the brokers we work with.
3. Source: CACI's CSDB, Stock, January 2025 to December 2025, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.
4. For 2025 we set a new stretching target for charitable funding, as we had met our original target of £3m by 2025.

5. Based on bank and building society UK business count data, Office for National Statistics, March 2025.
6. Excludes executive and non-executive directors. Whilst we are behind on our progress, we continue to prioritise our inclusion and diversity efforts and are working to deliver these by our target date of 2030.
7. Scope 3 emissions include business travel, fuel and energy related activities, waste, and home working.
8. Subject to independent verification which will be completed during 2026.
9. Our Employee Engagement Survey provider (Peakon) enables us to measure colleague sentiment and benchmark this against other financial services organisations in the UK.

Stakeholder engagement

Our approach to corporate governance is based on the principles and provisions of the 2024 version of the UK Corporate Governance Code (the Code) – available at [frc.org.uk](https://www.frc.org.uk). In order to meet the requirement for a Section 172 Statement (insofar as it is relevant to a building society), we include a summary of how the Board has carried out its duties in promoting the success of the organisation. This includes how the Board engages with stakeholders and remains cognisant of their needs when running the business. Further detail on the Board’s activities and its engagement with stakeholders can be found in the Corporate Governance Report on pages 87 to 111.

The Board’s approach

The Society considers the needs of a diverse range of stakeholders, which have been identified as those who may be affected by our activities and those groups whose actions can affect the operation of the business. These stakeholders are also actively considered in the development of the Society’s strategy, specifically members’ product and servicing needs, the expectations of regulators, the needs of mortgage brokers, views of investors and credit rating agencies, as well as any potential impact on colleagues. The Board recognises that agreeing a strategy, which is cognisant of key stakeholders, will optimise long term value creation and ensure relevance in a fast-changing environment.

Examples of decisions made by the Board during the year and how stakeholder impact was considered, are shown on pages 28 and 29: specifically the Board’s decisions on Board composition and changes, and the evolution of our strategy and strategic drivers.

Our behaviours help to underpin a strong culture appropriate for a mutual organisation, encouraging actions that are in the best interests of members and other stakeholders. Demonstration of the behaviours in the workplace forms a key part of our performance management approach. For further information on culture and how this is monitored, see the Corporate Governance Report on pages 87 to 111.

Stakeholder engagement

We have set out below our key stakeholder groups and how we engage with them. KPIs relevant to members, colleagues and brokers can be seen in the KPIs section on pages 18 to 20.

Stakeholder group	Why they are important to us	How we engage with them	Reporting to the Board
  Members and brokers	<p>Members own the Society, and the Society acts to benefit members’ interests over the longer term.</p> <p>Most of our lending is done via brokers who are essential to us in the process of helping people into homes of their own.</p>	<ul style="list-style-type: none"> • Independent external customer and broker research. • Gain feedback through our online panel TalkingPoint. • Communication testing with our members. • Trustpilot. • Annual General Meeting (AGM). • Social media. • Brand perception tracking with our members and brokers. 	<p>The Board balances the interests of borrowing and saving members, as well as brokers, when making decisions about the Society’s short and longer-term strategy. It does so through consideration of the following reporting:</p> <ul style="list-style-type: none"> • Annual analysis of five-year forecast of member joiners and leavers and monthly reporting. • Regular reports on service performance, customer outcomes and complaints. • Regular reporting of member experience ensures services and products meet our members’ needs. • Consideration of mutual dividend. • Reporting on savings rate benefit. • Consideration of member input on specific topics e.g. impacts of ISA changes from the Budget.

Stakeholder group	Why they are important to us	How we engage with them	Reporting to the Board
 <p>Colleagues</p>	<p>Colleagues are critical to the success of the Society. Having a culture where our colleagues can contribute, feel valued and have a sense of belonging will support us in creating high performance teams to better serve our members.</p>	<ul style="list-style-type: none"> • Department, branch and contact centre visits. • Launch of Branch Buddy initiative in 2025 with the leadership team. • Colleague surveys – at least one full survey per year, with the option of short pulse surveys. • Colleague Association with Board appointed colleague engagement champion meeting with the Colleague Association quarterly in 2025. This role was held by Annette Barnes (as non-executive director) until her appointment as Interim CEO, with Pam Rowland (non-executive director) subsequently taking on this responsibility. • Launch of Colleague Voice networks within each division to enable local action. • Colleague development and wellbeing sessions. • Meaningful recognition tools, from an 'in the moment' thank you in our recognition reel to our Excellence in Action awards initiative. • Purposeful squad work with cross divisional teams on colleague-facing activity. • Communication on matters relevant to colleagues and the Society. <p>Further information on engagement with colleagues can be found in the Our Culture section on page 105, within the Corporate Governance Report on pages 100 to 102, and in our Impact Report.</p>	<ul style="list-style-type: none"> • Colleague survey engagement results. • Colleague update from colleague representative and non-executive director colleague engagement champion Board sessions. • Colleague Association and Colleague Voice topics. • Pension scheme information. • Update on diversity and progress against our targets. • Annual Speak Up policy review and approval. • Update on progress of our Colleague Strategy. • Review of approach and activities for senior leadership team talent succession.
 <p>Third party suppliers</p>	<p>Our supplier partners are key to our ability to develop and deliver services to members and are an important aspect of how we are represented with our other stakeholders.</p> <p>Our supply chain includes suppliers of goods and services, including professional services (such as conveyancing services), IT platform services (access and administration) and IT software licences.</p> <p>We select suppliers based on their ability to reliably deliver services that enhance our members' experience, their aligned values and the measurable benefit we receive.</p> <p>Our Third Party Management Policy includes a clear risk-based classification of suppliers which enables us to take a more consistent and risk-appropriate approach to our management of each engagement.</p>	<ul style="list-style-type: none"> • Governance meetings at appropriate levels take place in accordance with the materiality of the relationship. • Our policies and standards drive a fair and transparent supplier selection and relationship management process for new and renewed requirements, proportionate to business risk. 	<ul style="list-style-type: none"> • Appropriate governance forums, including the Board where necessary, have received regular updates on the progress made against our Third Party Management Framework and are involved in decisions on suppliers for key strategic projects, for example as part of our core banking transformation programme. • Management information on suppliers and our approach to managing third party relationships. • Annual approval of modern slavery and transparency statement.

Business Model and Strategy continued

Stakeholder group	Why they are important to us	How we engage with them	Reporting to the Board
 Communities	<p>Leeds Building Society was set up to help members save and buy homes of their own. As a mutual, we also aim to make a positive difference in wider society and the Board understands that our mortgage and savings business needs to be underpinned by a broader commitment to the communities in which we operate.</p> <p>Our communities are defined as the places where our members and colleagues live and work. However, we consider social issues as well as geography in defining where we focus our efforts.</p>	<ul style="list-style-type: none"> Engagement via communication with charity partners and their beneficiaries. Colleagues nominate, volunteer and raise funds for charities and community groups. Commitment to pay our fair share of tax as evidenced by our Fair Tax Mark accreditation. <p>More detail, as well as further information on ESG at Leeds Building Society, can be found within the ESG section on pages 21 to 22 and within our Impact Report.</p>	<ul style="list-style-type: none"> Regular updates of progress against our ESG strategy targets. Ongoing progress reports on the impact of our charity grant making, fundraising and colleague volunteering.
 Environment	<p>We are committed to minimising our impact on the environment in the places in which we operate, as well as managing environment-related risks. This is also an increasing focus for our wider stakeholders.</p>	<p>Our Climate strategy has been designed to support our key stakeholders through an orderly transition to a net zero economy by 2050 or sooner. This includes:</p> <ul style="list-style-type: none"> Discussions held with a wide range of stakeholders, including government bodies, industry bodies and stakeholders, building society peers and third party experts. Engaging and supporting our members and colleagues to reduce their carbon footprint. Working collaboratively with third parties to understand and reduce the emissions from our supply chain. <p>For further information on our carbon emissions and engagement with stakeholders on climate issues, please see our climate disclosures on pages 43 to 56 and our Climate-Related Financial Disclosures and Transition Plan.</p>	<ul style="list-style-type: none"> Progress reports on our climate data and insights. Approval of an updated climate target and our transition plan.

Stakeholder group	Why they are important to us	How we engage with them	Reporting to the Board
 Regulators	<p>Our regulators, the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), are responsible for maintaining a safe and sound financial system, as well as ensuring consumer protection. Meeting regulatory requirements engenders trust from our stakeholders and demonstrates that we are doing the right thing.</p>	<p>We have an open and transparent relationship with our regulators, including:</p> <ul style="list-style-type: none"> • Regular dialogue and interactions with our regulators both directly and through our industry bodies. • Regular meetings held with the PRA which are attended by our CFO and CRO along with members of the senior leadership team. • Regular meetings with the FCA, which are attended by the CRO and appropriate members of the senior leadership team. • Monitoring regulatory publications from the regulators and wider stakeholder groups. • Reviewing regulatory publications and taking action as required. <p>We adopt a proactive approach with the regulators and update them of any material points as they arise.</p>	<ul style="list-style-type: none"> • The Board receives updates on regulatory matters and a summary of key regulatory actions being undertaken by the Society. • Material dialogue and interactions with our regulators are shared with the Board as appropriate. • The Board has sight of the progress in delivery of regulatory actions. • The PRA engages directly with directors, e.g. the Periodic Summary Meeting.
 Investors	<p>Investors provide an important part of our funding, which supports our aim to help members into homes of their own.</p> <p>We have a variety of different types of investors who support our wholesale funding strategy across secured and unsecured types of debt. Our strategy aims to have the appropriate level of diversification of funding, so we are not exposed to only one type of funding.</p>	<p>We have an active investor relations strategy, including:</p> <ul style="list-style-type: none"> • Individual meetings with key institutional investors. • Group presentations. • Attendance at investment conferences. • Investor events. <p>Regular and close dialogue is maintained with credit rating agencies, including formal annual review meetings.</p>	<ul style="list-style-type: none"> • Investor relations approach considered as part of the Funding Plan, contained within the overall Corporate Plan, as approved by the Board.

Key decisions made in the year

The key decisions taken this year by the Board have been mindful of all stakeholders' needs, while benefitting our members over the long term. These decisions aim to improve member, broker and colleague experience, as well as increasing our financial stability through improving income performance or reducing costs. This means that we can continue to operate successfully in the future for the benefit of all our stakeholders.

Examples from 2025 are given below, and a summary of Board activities during the year can be found in the Corporate Governance Report on page 103 to 104.

Board composition and changes (November 2025)

Stakeholders impacted



Members



Colleagues



Regulators

Context

In April 2025, Andrew Conroy announced his decision to step down as CFO of the Society. Andrew joined the Society in 2018 and committed to spending three to five years in the role. After almost seven years, he decided to leave the Society and seek his next career challenge.

Following the announcement in April, a number of succession planning meetings were held with members of the people team, our Chief People Officer and the Nominations Committee. An assessment of the skills matrix was undertaken along with detailed discussions over the requirements of the role, and a recruitment plan was developed along with a proposed timeline. Consideration was given to the external search firms which could be used to support recruitment, and it was agreed to appoint Warren Partners, an executive recruitment agency with whom there is no connection or conflict of interest, to provide a diverse shortlist of candidates.

Considerations and discussion

In October 2025, following discussions with the Nominations Committee, the Board approved the appointment of Arlene Cairns as the incoming CFO, subject to regulatory approval, and subsequently agreed a leaving date of 31 December 2025 for Andrew. The Board has expressed its appreciation to Andrew, acknowledging his exceptional contribution during his time with the Society. Arlene joins us from Phoenix Life, where she currently holds the positions of CFO and group performance director and brings a wealth of experience, both within and beyond the financial services sector.

Discussions were held over the appointment of an Interim CFO to lead the Finance division during the period January to May 2026, when Arlene is due to take up the role. A key area of consideration for the Board was to ensure resilience and stability within its existing leadership and ensure changes to the leadership team were managed appropriately and colleagues were kept informed. To provide continuity, it was agreed to appoint Jon Bailey, Director of Finance, as Interim CFO, and an interim member of the Executive Committee. Jon is an experienced leader with substantial financial services experience. This also evidences the focus that has been applied in recent years in developing a strong internal pipeline for succession planning, which supports internal development and resilience in the leadership team. To support his continued development and transition into the role, Jon worked closely alongside Andrew in the months prior to his departure, attended several Board and Executive Committee meetings and met with the PRA during their annual supervisory visit. In addition, the Board agreed to appoint an external advisor to provide support in an advisory capacity to the Executive Committee as it transitions through a period of compositional change at both Board and Executive Committee level, in 2026.

The impact on stakeholders was considered as outlined below:

Board members: Members of the Nominations Committee discussed and monitored progress of the recruitment process and provided regular updates to the Board. Prior to Arlene's appointment, it was agreed that Arlene would meet with a number of Board members including the CEO, Chair and Chair of Audit Committee, and members of the executive committee.

Regulators: The recruitment of the incoming CFO and appointment of an Interim CFO was discussed with members of the Nominations Committee, and a timeline was agreed for submission of the relevant applications to be made to the FCA and PRA. The PRA was also informed about the CFO and Interim CFO's appointment in advance and was provided with subsequent updates at the regular meetings held with the Society's PRA supervisor.

Members & Colleagues: The Society recognises the importance of keeping colleagues and members informed of changes to the Board and this was considered carefully following Andrew's decision to step down and during the succession planning meetings. Updates to colleagues were shared through divisional reporting lines and a detailed announcement was posted on the colleague intranet, which confirmed that a recruitment process was underway and a public announcement then followed. Once Arlene's appointment as CFO was formalised, a further update was provided to colleagues in November which outlined the intended date on which she would join the Board, as well as details of her skills and experience and other external appointments. Colleagues were also informed about the appointment of Jon Bailey as Interim CFO. The Chair also provided an update on Andrew's resignation to members at the 2025 AGM. A further public announcement was made in December 2025, confirming the details of Arlene's appointment.

Outcome: The Board was satisfied with the recruitment and selection process undertaken and subsequently approved Arlene's appointment and supported the appointment of an Interim CFO.

Evolution of our strategy and strategic drivers (January to November 2025)

Stakeholders impacted



Members



Colleagues

Context

In January 2025, the Board agreed with management that as part of the management and Board strategy conferences held in April and May respectively, there would be a session looking at how we could evolve our strategic focus to support our ongoing success – particularly in the context of our growth trajectory and the investment we are making in our core technology platform. Understanding the potential of what our new technology platform could do, as well as how it could support and further our strategic aspirations, was also identified as an important aspect.

Considerations and discussion

Following the strategy conferences, the senior leadership team, the Executive Committee and the Board continued to discuss and refine the long term strategy for the Society, ensuring our evolved strategy balances appropriate ambition and focus to support the Society's ongoing success. This was developed against the background of increased competition within the mortgage and savings markets in which we operate, increasing automation and adoption of AI, evolving customer preferences and margin pressures.

In September, management presented a draft of our evolved strategy to the Board and asked for its feedback on this. The proposed evolution of our strategic drivers was based on the areas of our strategy where we would need to focus in order to succeed over the medium and long term. Consideration was given as to whether the strategy was appropriate to provide sufficient clarity and alignment over time, and whether it was directionally right given how our competition and markets are evolving.

In November, the final iteration of our evolved strategy was presented to the Board for approval, including a view on proposed activities for 2026 which will help to drive us toward our strategic ambitions. Our updated strategic drivers are: customer experience, market participation and productivity. In earlier discussions the Board had highlighted the importance of communication, execution and measurement of the evolved strategy – and therefore, the November update also included a view of how it would be communicated to colleagues (see below), how the strategy would be executed in terms of governance, and what reporting would need to be in place to measure its success. Key enablers of the strategy which were identified include the opportunities arising from the new core technology platform, as well as the deployment of AI.

The impact on stakeholders was considered as outlined below:

Members: Members' needs have been a key consideration throughout the work undertaken on the evolution of our strategy during 2025, with the new customer experience strategic driver focusing on delivering tailored, intuitive experiences enhanced by the use of technology. The new market participation strategic driver is also focused on meeting evolving member needs around products and services over the medium and long term.

Colleagues: The Society recognises the importance of colleagues to the success of its strategy, and it was acknowledged at the Board strategy conference that colleague buy-in to the evolution was crucial. Our evolved strategy and how this will feed into colleague objectives was presented to, and discussed with, the extended leadership team in December 2025. It was then announced to all colleagues in January 2026, with the opportunity for questions from colleagues to be answered by members of the Executive Committee. This ensured that all colleagues clearly understood the evolved strategy and how they will continue to support its execution. Thoughtful consideration has also been given throughout the development of the strategy to colleague capabilities and how our organisation is set up, to ensure these support us in the delivery of our strategy.

Outcome: The Board reviewed and approved the evolved strategy, including our new strategic drivers, and the planned activity in relation to these drivers for 2026.

Financial Review

Year ended 31 December 2025

Overview

The Society has continued to deliver a strong financial performance in 2025 against what remains a challenging external backdrop. This is reflected in an increase in our statutory profit, the second highest in our history.

We continue to offer our members a strong range of products at rewarding rates and strive to provide an excellent service to all our members. In spite of increasing levels of competition in both the mortgage and savings markets we have been able to achieve strong growth in both areas whilst delivering additional value to our savings members compared to the market.

Income Statement

In 2025 we have achieved a statutory profit before tax of £198.6 million, which represents a £11.1 million (5.9%) increase on 2024 (2024: £187.5 million underlying profit before tax¹). This increase is primarily due to a growth in net interest income which is partly offset by fair value losses and an increase in management expenses.

The Group Income Statement for the year is summarised below:

	2025 £M	2024 £M
Net interest income	402.5	362.9
Fees, commissions and other income/ (expense) ²	14.9	(17.6)
Fair value (losses)/gains	(4.9)	10.3
Total income	412.5	355.6
Management expenses	(215.3)	(196.0)
Impairment (charge)/credit on loans and advances to customers	(0.1)	5.7
Impairments on property, plant and equipment and intangible assets	–	(17.5)
Other provisions release/(charge)	1.5	(10.3)
Profit before tax	198.6	137.5
Tax expense	(53.1)	(37.6)
Profit after tax	145.5	99.9
Underlying Profit before tax¹	198.6	187.5

Net interest income

	2025 £M	2024 £M
Net interest income	402.5	362.9
Mean total assets	31,787.5	29,879.3
	%	%
Net interest margin	1.27	1.21

Net interest income increased by £39.6 million (10.9%) during the year, with net interest margin rising modestly to 1.27%. Our residential mortgage book has increased by £1.4 billion (5.8%) over the past 12 months, which contributed positively to net interest income.

The Society remains successful in attracting members through its competitive savings offerings, which have contributed to the maintenance of a strong liquidity position that exceeds regulatory requirements. We have further optimised the income from our liquidity portfolio (i.e. investments in UK government securities and other securities rated highly by credit rating agencies) to boost our net interest income and support delivery of our purpose.

In the previous financial year, we made a proactive choice to simplify our balance sheet, buying back Permanent Interest-Bearing Shares (PIBS) and during the current financial year we repurchased Senior Non-Preferred notes after reviewing our funding requirements. These decisions have reduced our interest payment obligations, and, during the financial year, we have seen the benefit that these decisions have had on net interest income.

Our net interest margin has remained robust in 2025 despite a challenging environment characterised by declining mortgage rates and strong competition for retail savings balances. We use structural hedging to stabilise net interest margin over an average period of two years. When market interest rates are falling, as we have experienced during this financial year, the Society benefits from the income generated from the fixed interest rate instruments that are designated in the hedge. The structural hedge has therefore contributed to the stability in net interest margin when compared to previous periods.

1 2024 underlying profit before tax excludes one-off items. There have been no one-off items during 2025.

2 2024 includes a one-off item. Further information can be found on page 32 of the Society's 2024 Annual Report and Accounts. There have been no one-off items during 2025.

Financial Review continued

Our efforts to support members with competitive mortgage rates, along with growing competition as peers also help first time buyers enter the housing market, are leading to reduced lending margins. Additionally, the Bank of England cut its base rate three times in 2025, and we expect to see the impact of those cuts on our net interest margin in the near future. We remain committed to balancing member support with long term sustainability, staying true to our purpose of putting home ownership within reach of more people, generation after generation.

Fees, commissions and other income

In January, we successfully repurchased Senior Non-Preferred notes at a discounted rate which produced a £6.8m other income gain in the period. Following the repurchase, we were able to issue replacement notes at a more competitive price, which results in lower interest payments.

The amount reported in 2024 includes the upfront cost (£23.4 million) of our decision to simplify the balance sheet and repurchase our PIBS.

Fair value gains and losses

We hold certain financial assets and liabilities at their current fair value, defined as the value a market participant would be willing to pay or receive, and the movement in this fair value is recognised in the Income Statement. Changes in fair value are primarily due to timing differences, which will trend to zero as the asset or liability reaches maturity.

For the financial year ended 31 December 2025, we have recognised a net fair value loss of £4.9 million (2024: £10.3 million gain) from the movement in interest rates. These losses have largely been recorded on swaps transacted to manage interest rate risk associated with the fixed rate mortgages and savings products.

We continue to manage volatility and mitigate some of the impact of fair value movements using cash flow hedge accounting.

Management expenses

Management expenses for the year are summarised below:

	2025 £M	2024 £M
Colleague costs	114.2	106.1
Other administrative expenses	64.1	59.9
Depreciation and amortisation	11.7	10.6
Ongoing management expenses	190.0	176.6
IT transformation spend	25.3	19.4
Total management expenses	215.3	196.0
	%	%
Cost to income ratio ³	52.2	51.7
Cost to income ratio excluding IT transformation spend	46.1	46.6
Cost to mean asset ratio	0.68	0.66
Cost to mean asset ratio excluding IT transformation spend	0.60	0.59

Total management expenses increased by £19.3 million (9.8%) during the year, but despite this increase our cost ratios remain among the best in our sector. When excluding transformational costs, our cost to income ratio was 46.1% (2024: 46.6%) and our cost to mean asset ratio was 0.60% (2024: 0.59%). Both ratios have remained broadly stable year on year.

We have maintained focus on cost management in 2025 and have carefully shaped the way our teams work, our relationships with third parties and assessed spend to operate in a cost-conscious way. We are continuously looking to identify appropriate efficiencies whilst at the same time investing thoughtfully for the long term future of the Society.

³ 2024 excludes a one-off item, being the cost of repurchasing the Society's PIBS.

Our ongoing management expenses have increased by £13.4 million (7.6%) when compared to 2024. The primary driver of this is colleague costs which have grown due to annual salary increases and the impact of a rise in the national insurance contributions rate from 13.8% to 15.0% in April 2025.

Other administrative expenses have increased by £4.2 million (7.0%) in the year. This increase was predominantly driven by higher technology and regulatory costs. We see a modest rise in depreciation and related technology costs as we continue to invest in improving our digital capability and our technology infrastructure.

We have also continued to invest into our multi-year technology transformation programme, which will support operational efficiency, high customer service levels and technology resilience for many years into the future. We are in the build phase of our new core banking platform as we strive to modernise and improve the experience for both our members and colleagues.

Impairments and provisions

The table below summarises the impact of impairments and provision releases/(charges) in the year:

	2025 £M	2024 £M
Residential loans	–	4.8
Commercial loans	(0.1)	0.9
Impairment (charge)/release on loans and advances to customers	(0.1)	5.7
Other provisions release/(charge)	1.5	(27.8)
Total impairments and provisions	1.4	(22.1)

Residential impairment

We make provisions for expected credit losses (ECL) across all loans, based on the probability of each loan defaulting and resulting in a loss, while considering a range of assumptions about future economic scenarios and an assessment of whether the credit risk of the loan has increased.

The quality of the Society's mortgage book remains high, with arrears percentages improving during 2025, despite ongoing cost pressures on households. At 31 December 2025, 0.57% of borrowers were greater than or equal to three months in arrears (31 December 2024: 0.61%).

The UK economy exceeded growth expectations in early 2025, but has since slowed, resulting in a more cautious outlook. Housing activity followed suit, rising at first then falling after stamp duty changes. Annual house price growth was 0.6%. Our macroeconomic updates for ECL provisioning anticipate the Bank of England cutting rates in 2026 and GDP improving slowly as inflation drops. Unemployment is expected to rise briefly before easing as growth recovers. Persistent geopolitical uncertainty has led us to lower the central scenario weighting to 40% (from 50%) and raise the downside scenario weighting.

Total impairment provisions against residential mortgages at 31 December 2025 were £43.7 million (2024: £45.4 million), which represents mortgage book coverage of 0.17% (2024: 0.18%). The key judgements and estimates involved in the calculation of impairment loss provisions are set out in Note 2 of the accounts on pages 171 to 179.

	2025 £M	2024 £M
UK	36.6	37.1
Spain	7.1	8.3
Total residential impairment provisions	43.7	45.4
UK coverage	0.14%	0.15%
Total coverage	0.17%	0.18%

Assets

Our strong lending growth has continued into 2025 with a 5.8% increase in residential mortgages in an extremely competitive market.

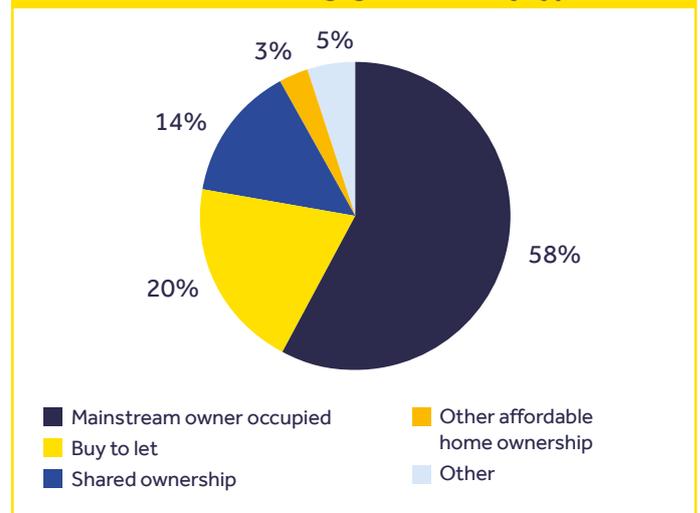
	2025 €M	2024 €M
Residential mortgages	25,864.3	24,448.1
Commercial mortgages	3.1	3.3
Other loans	138.9	145.0
Impairment provision	(43.8)	(45.9)
Loans and advances to customers	25,962.5	24,550.5
Liquid assets	5,450.5	6,545.5
Derivative financial instruments	129.5	371.1
Fair value adjustments	75.5	(173.1)
Intangible assets	43.9	35.1
Fixed and other assets	300.5	318.6
Total assets	31,962.4	31,612.6

Loans and advances to customers

Our loans and advances to customers comprise mainly UK residential mortgages. Our legacy Spanish residential and UK commercial loan portfolios continue to pay down, with no new lending taking place. Other loans consist of a collateral loan that represents a pool of equity release mortgages purchased from a third party, where some of the risks relating to those mortgages were retained by the third party.

Residential mortgage asset quality	2025 %	2024 %
Proportion of mortgages in arrears ⁴	0.57	0.61
Proportion of mortgages in arrears (UK)	0.56	0.58
Balance-weighted average indexed LTV of mortgage book	54.9	54.2
Balance-weighted average LTV of new lending	66.8	66.8

2025 UK residential mortgage balances by type

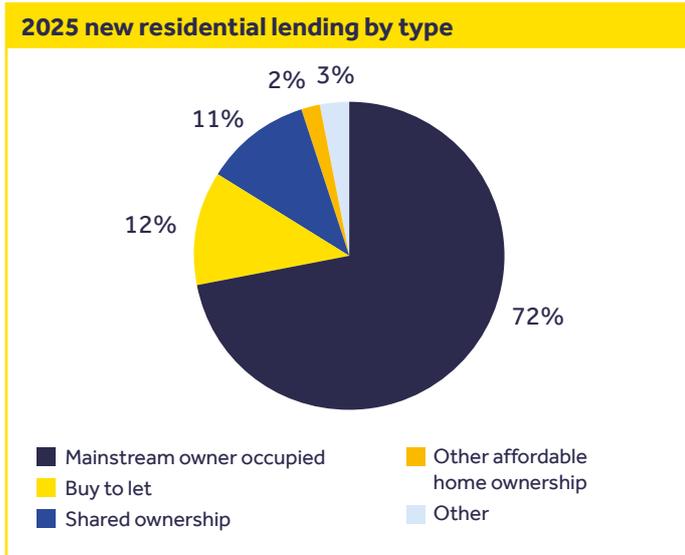


⁴ Greater than or equal to 3 months in arrears.

UK residential mortgage balances

The composition of our mortgage book reflects our segmental lending strategy of recent years, with mainstream owner occupied making up the significant proportion of the book (58%) alongside a strong weighting of shared ownership (14%). Buy to let (20%) remains important to us and supports our purposeful lending strategy.

The chart below shows the mix of new lending by product type in 2025.



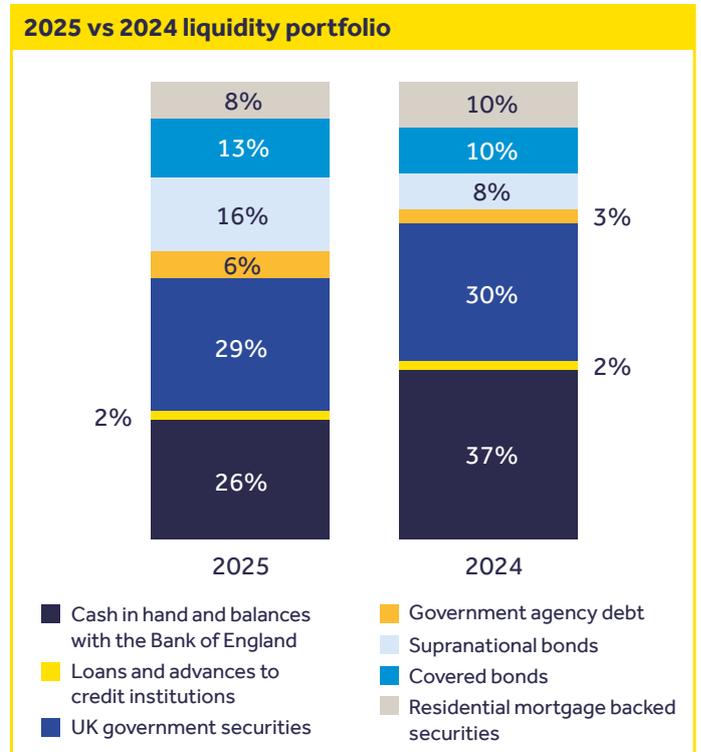
Despite competition in the mortgage market intensifying during 2025, our gross new lending during the financial year was £5.0 billion (2024: £5.7 billion) and net lending was £1.5 billion (December 2024: £2.6 billion). The Society manages its growth according to macroeconomic conditions, market pricing and funding conditions. We continue to launch new innovative mortgage products, such as Income Plus mortgages, which further support our ability to help more people get on the housing ladder in a competitive market. We achieved our strongest month ever with 2,700 first time buyer completions in one month in March, as house buyers expedited house purchases before a revision to the stamp duty threshold took effect in early April.

The average LTV of new lending in 2025 remains consistent with 2024 at 66.8% (2024: 66.8%) and reflects our balanced, risk-managed approach.

Liquid assets

Liquidity ratios	2025 %	2024 %
Liquidity Coverage Ratio	196.7	183.0
Liquid assets as a percentage of shares and borrowings	18.5	22.5

Liquid assets are principally held in deposits at the Bank of England, investments in UK government securities and investments in other securities. The level of liquidity required is closely monitored and considers forecasted and stressed outflows on a dynamic basis; this provides us with protection and flexibility considering the uncertain economic environment.



At 31 December 2025, liquid assets decreased to £5.5 billion (2024: £6.5 billion) following our repayment of drawings from the BoE's TFSME⁵ and sustained mortgage growth. However, we continue to report a strong liquidity position and as at 31 December 2025, our Liquidity Coverage Ratio (LCR) was 196.7% (31 December 2024: 183.0%), which was significantly above minimum regulatory requirements (100%). The quality of liquid assets remains very high with 100% of our portfolio rated A or above (2024: 100%).

Derivative financial instruments and fair value adjustments

We transact derivative financial instruments to mitigate risks within the balance sheet, primarily interest rate risk associated with offering fixed rate mortgage and savings products. In accordance with accounting standards, derivatives are initially recognised at fair value on the date that they are transacted and are subsequently remeasured monthly at their fair value.

We make use of fair value hedge accounting to reduce volatility in profits by hedging exposures to variability in the fair value of financial assets and liabilities. Changes in the fair value of derivatives that are designated in fair value hedges are recorded in the Income Statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Intangible assets

Intangible assets have increased by £8.8 million (25.1%) during 2025 reflecting the costs we have capitalised as part of our technology transformation programme. The new core banking platform will lead to increased functionality, security and resilience of our systems, as well as improved experiences for our members, colleagues and intermediary partners.

Liabilities

Our total liabilities have increased by £226.2 million in the year with a 6.3% increase in retail savings balances as we continue to offer members competitive savings products.

A summary of our liabilities is shown below:

	2025 £M	2024 £M
Shares	26,069.9	24,529.8
Wholesale funding	3,376.9	4,535.2
Derivative financial instruments	119.9	98.0
Other liabilities	105.6	387.0
Subordinated liabilities	438.1	334.2
Subscribed capital	8.0	8.0
Total liabilities	30,118.4	29,892.2
Equity attributable to members	1,844.0	1,720.4
Total liabilities and equity	31,962.4	31,612.6
Wholesale funding as proportion of total borrowing	11.5%	15.6%

Shares (retail savings)

Our savings members play a vital role in allowing us to achieve our purpose and we remain dedicated to providing them with a secure place for their money, with compelling products and competitive interest rates.

The Society continues to be predominantly funded by retail savings at 86.6% (2024: 82.1%) and during 2025 our net retail savings inflows were £0.6 billion (2024: £2.8 billion), taking total retail savings up to £26.1 billion. Throughout 2025, we have consistently maintained high quality savings products and achieved prominent rankings on best buy and savings comparison websites.

We consistently pay above average market rates to our savers, paying an average of 3.92% compared to the rest of market average of 3.02%⁶. Our competitive savings propositions are seeing increasing numbers of members utilise our online channel and our branches remain extremely popular with savers as demonstrated in our members satisfaction score remaining consistently high at 94%⁷.

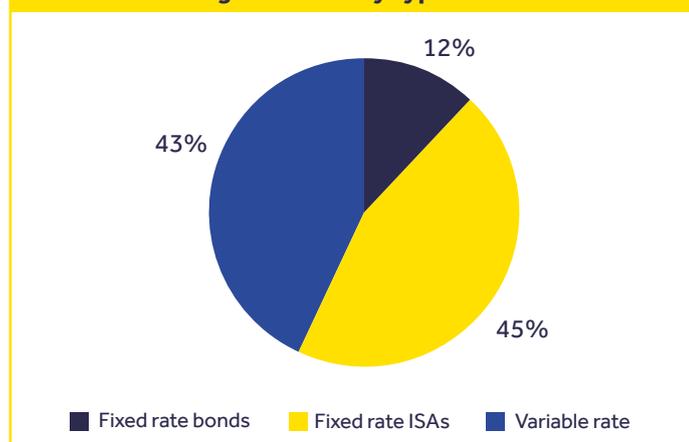
We offer our members a range of savings products, including easy access and fixed rate bonds and ISAs. The next chart below shows the mix of savings balances by rate type.

⁵ Bank of England's Term Funding Scheme with additional incentives for SMEs

⁶ CACI's CSDB, Stock, January 2025 to December 2025, latest data available. CACI is an independent company that provides financial benchmarking data of the retail cash savings market.

⁷ Overall customer satisfaction in a survey of 3,409 members from January to December 2025.

2025 retail savings balances by type



This year our variable rate products have become more popular with our members, and 42.9% of our retail savings balances are now variable compared to 37.0% as at 31 December 2024.

Wholesale funding

Total wholesale funding at 31 December 2025 was £3.4 billion (December 2024: £4.5 billion). The Society successfully completed three wholesale debt issuances during the financial year, comprising £300 million of Senior Non-Preferred (SNP) notes⁸, £350 million of residential mortgage backed securities (RMBS)⁹ and a £500 million covered bond. The deals were positively received by the market and were priced competitively relative to comparable offerings.

The net reduction in wholesale funding is related to our full repayment of TFSME which had an outstanding balance of £1.1 billion at 31 December 2024.

Our long and short term credit ratings have been stable over the year, reflecting our strong capital base, sustainable profitability and robust funding position.

Credit Rating	Long term	Short term	Outlook
Moody's	A3	P-2	Stable
Fitch	A-	F1	Stable

Regulatory capital

	31 December 2025 €M	31 December 2024 €M
Capital resources		
Common Equity Tier 1 (CET1) capital	1,720.5	1,584.9
Tier 2 capital	10.5	10.1
Total regulatory capital	1,731.0	1,595.0
Senior non preferred notes	429.0	351.1
Total MREL Eligible Resources	2,160.0	1,946.1
Risk-weighted assets (RWAs)	6,735.3	6,171.0
CRD V capital ratios	%	%
CET1 ratio	25.5	25.7
Total capital ratio	25.7	25.9
Total MREL ratio	32.1	31.5
UK leverage ratio ¹⁰	5.7	5.5

We hold capital to protect members against unexpected future losses. As we grow our mortgage book, the amount of capital we need to hold to meet the UK Capital Requirements Directive V (UK CRD V) increases.

We maintained a strong capital position throughout the period, with all capital ratios materially more than the regulatory minima. Our total capital ratio was 25.7% at 31 December 2025 (31 December 2024: 25.9%). We are supporting homeowners with higher loan to value mortgages, in adherence with our lending policy, and this has resulted in a small reduction to our capital ratios due to the associated uplift in risk. We have used the Internal Ratings Based (IRB) approach to calculate our capital requirement for most of our residential mortgage book since 2018.

New and emerging regulation

The Society is well-prepared to meet the requirements of the Basel 3.1 regulations, which will come into force in January 2027. As an IRB lender, the predominant impact will be the new output floor, to be phased in between January 2027 and January 2030.

⁸ The SNP issuance was recognised in the 'Subordinated liabilities' line in the Statement of Financial position.

⁹ Issued via Albion No.7 PLC.

¹⁰ The UK leverage ratio is specific to the UK regulatory regime, which excludes deposits with central banks from the leverage exposure measure. The UK regime does not apply to the Society as the applicable threshold set by the regulator (greater than €50 billion of retail deposits increasing to greater than €75bn from 1 January 2026) is considerably in excess of the Society's balance.

Risk Overview

Year ended 31 December 2025

Our purpose of 'putting home ownership within reach of more people – generation after generation' can only be achieved if risks are identified, understood and managed effectively. By understanding the nature of our risks, we can make informed decisions to support delivery of our strategic objectives and protect our longer-term viability and members' interests.

Enterprise Risk Management Framework

To ensure that risks are appropriately managed across the organisation, we operate a Board approved Enterprise Risk Management Framework (ERMF), which sets out a structured approach to identifying, assessing, controlling and monitoring risks.

Further information on our ERMF and its key components can be found on page 59 within the Risk Management Report.

Risk profile

The risks that we are exposed to fall into two separate categories:

1. Principal risks

We have identified eight principal risks, which are inherent within our strategy and have the potential to significantly impact performance or viability. These principal risk categories are outlined below and remain consistent with those disclosed within the 2024 Annual Report and Accounts.

Principal Risk	Risk Description
Credit risk	The risk that residential borrowers or wholesale counterparties fail to meet their financial obligations.
Funding and liquidity risk	The risk of insufficient funds to meet obligations as they fall due or the inability to access funding at a reasonable cost.
Market risk	The risk that movements in interest rates or foreign currency adversely impact our capital and earnings.
Capital risk	The risk that the Society has insufficient quality or quantity of capital resources to meet current or future regulatory and business requirements.
Model risk	The risk of adverse consequences from model errors or the inappropriate use of modelled outputs.
Operational risk	The risk of financial or reputational loss from inadequate or failed internal processes, people and systems or from external events. This incorporates resilience risk, which is the inability to maintain important business services in response to unexpected or adverse events.
Conduct risk	The risk that actual or potential customer detriment arises, or may arise, from the way the Society conducts its business.
Strategic/ business risk	The risk that the Society fails to formulate or execute an appropriate strategy and business model in response to the external environment, threatening our longer-term viability.

Further information can be found on pages 63-85 of the Risk Management Report.

We do not view climate change as a separate principal risk category, but as a factor that has a bearing across our existing principal risks. Refer to pages 45 to 50 of the Strategic Report for further information on our assessment of the potential impacts of climate-related risks.

2. Emerging risks

Emerging risks are new or evolving risks where the impact is uncertain, but have the potential to materially impact our performance or strategic objectives.

When assessing emerging risks, we consider the likelihood of the risk materialising and the potential impact on our business strategy and stakeholders. These risks are considered by the Board and Board Risk Committee (BRC), on an ongoing basis, as part of our strategic and business planning processes.

The most significant emerging risks are described below, along with a summary of actions we are taking to manage these risks.

Macroeconomic risks:	
Overview	Mitigating actions
<ul style="list-style-type: none"> The UK macroeconomic environment continues to present a finely balanced picture. Whilst economic growth picked up in 2025, momentum in the UK economy is expected to slow in 2026, with a weakening labour market and ongoing geopolitical tensions set to constrain consumer spending and growth. The Bank of England (BoE) continued to loosen monetary policy during 2025, with four interest rate cuts to 3.75%. With inflation easing, unemployment increasing and weaker growth, further modest interest rate cuts are likely in 2026. Activity within the UK housing market has remained resilient during 2025, with house prices evolving in line with expectations. Whilst the central view is for housing market activity to strengthen in 2026, several headwinds persist, which may constrain demand. 	<ul style="list-style-type: none"> Establishment of an appropriate corporate plan with performance closely monitored by management and the Board against trading ranges, early warning indicators and triggers. Horizon scanning and close monitoring of key economic data and forecasts to support timely management response. Regular assessment of macroeconomic risks, under both central and stressed conditions, is performed to understand and manage the impacts e.g. tightening of lending appetite (volume, risk premia and mix). Robust levels of capital and liquidity are maintained to absorb periods of economic volatility, supported by frequent stress testing and sensitivity analysis to understand the impacts on our balance sheet. Close monitoring of our lending portfolios and regular review of credit policies, criteria, and affordability assessments to ensure they remain appropriate for prevailing economic conditions. Pre-delinquency strategies are deployed to proactively engage members who may find themselves in financial difficulty.

Geopolitical risks:	
Overview	Mitigating actions
<ul style="list-style-type: none"> Geopolitical tensions have become a more prominent and persistent source of uncertainty for UK financial institutions. Geopolitical fragmentation has intensified, resulting in the introduction of global trade tariffs, escalation in wars and conflicts, political instability, and an increased threat of cyber attacks. Geopolitical risks have the potential to impact the global economic outlook and financial stability, influencing growth, inflation, financial markets, and supply chains. 	<ul style="list-style-type: none"> Horizon scanning and scenario testing is used to understand potential impacts from both a financial and operational perspective and develop appropriate response plans. All new mortgage lending is restricted to the UK and exposures from our liquid asset investments are closely monitored for geopolitical risks in line with our wholesale credit risk policy. Due diligence is completed with our key suppliers to understand and manage third party exposures to geopolitical events. Investment in our IT security and operational controls to improve overall resilience and ability to respond to evolving threats.

Strategic risks:

Overview	Mitigating actions
<ul style="list-style-type: none"> In 2025, competition among UK mortgage lenders increased, led by major high street banks, which resulted in lower margins for new mortgage lending. This trend is likely to continue into 2026. Increased competition was also experienced within the UK savings market, resulting in an increased cost of funds. This trend is expected to continue into 2026, driven by changes in interest rates, repayment of BoE TFSME funding, ISA reforms and increased participation of digital banks. The combined impact of these competition risks is expected to place further downward pressure on net interest margin in 2026. As part of supporting the UK's growth agenda, there are several recommendations under consideration by UK regulatory authorities to support growth and house purchases. Mortgage market reform, such as proposals under the FCA's Mortgage Rule Review, could exacerbate competitive pressures and lead to higher risk lending practices, potentially impacting credit quality and financial stability. Consolidation within the UK financial services continued during 2025, which may further increase the risk of future competitive pressures. Customer expectations and increased use of digital channels are changing the way the Society's products and services are designed and distributed. There is a risk that our propositions do not adapt with the pace of change or attract new members. During 2025, the Society experienced significant change across its Board and executive team. Whilst the transition of the leadership team has been given careful consideration by the Board, reflective of our strategic priorities, this will take time to embed. 	<ul style="list-style-type: none"> Competition/market risks are considered as part of our strategic/ business planning activities, which set the future path for strategic investment and development to ensure that we can adapt accordingly. Changes to lending policy and criteria are carefully considered by the Credit Committee/BRC in the context of our Board approved risk appetite. The competitive/market landscape is regularly reviewed to understand emerging trends, to ensure we can continue to meet customer needs. Further investment is being made in our core banking systems, services and digital capabilities to support our product offerings, customer journeys and future scalability and flexibility. Regular horizon scanning and assessment of regulatory change are performed to ensure updates and new requirements are factored into our future plans and change portfolio. Succession planning assessments for all Senior Leadership roles are conducted quarterly, with regular updates to Nominations Committee/ Board to ensure there is a strong pipeline to provide leadership continuity, maintaining stability for the long term success of the Society.

Operational resilience risks:

Overview	Mitigating actions
<ul style="list-style-type: none"> Operational resilience remains a key emerging risk for the Society, reflecting the increasing complexity and interdependence of modern business environments. A significant operational risk event could result in disruption to important business services, leading to customer harm, financial or regulatory impacts, or reputational damage. Such events could include the threat of cyber attacks, third party failure, loss of data or service outages. Recent external high profile incidents have highlighted the disruptive potential of cyber attacks and third party failures. Resilience to such threats and an ability to respond effectively remain essential to maintain service delivery and the trust of our members and the confidence of regulators. 	<ul style="list-style-type: none"> Resilience risks are monitored and managed through our Operational Resilience Framework, which includes regular scenario testing for potential resilience events. Operational resilience and crisis management processes are in place to ensure that our important business services can recover in a timely manner in the event of disruption. We continue to invest in our IT security and operational controls to improve overall resilience and our ability to respond to these evolving threats. The controls already in place to mitigate against cyber attacks are regularly validated through testing by external security specialists to ensure that they remain appropriate. We frequently assess the risks posed by third parties, as well as the effectiveness of the services provided, to mitigate the potential for operational disruption.

Change risk:	
Overview	Mitigating actions
<ul style="list-style-type: none"> Our change portfolio includes the delivery of a multi-year technology programme, other strategic initiatives and new regulatory requirements. The volume of change activity could lead to increased execution, operational and people risks. Failure to appropriately prioritise and deliver change on time and within agreed budgets may also inhibit our ability to achieve our purpose or strategic objectives. 	<ul style="list-style-type: none"> We continue to prioritise, manage and implement change in line with our strategic plans while assessing execution risks and taking appropriate mitigating action. In addition, we continue to invest in our change management processes, leadership and colleague capabilities, change capacity, and governance to better control the execution risks associated with large scale change. Major change projects are subject to close monitoring and governance through our Executive Transformation Committee, with regular assurance provided to the Board. The Board has an independent adviser, supporting oversight of the core transformation project.
Technology risk:	
Overview	Mitigating actions
<ul style="list-style-type: none"> Innovation in relation to artificial intelligence (AI) and associated technologies are creating new risks, as usage becomes more prevalent within financial services. Key risks include model risk (e.g. bias and discrimination or models not operating as intended), data privacy and security (improper handling of data through AI processes), cyber security (exploitation of AI systems by malicious parties) and accuracy/transparency risk (AI systems trained on inaccurate data sources). Given the pace of AI development externally, there is a risk that the Society may fall behind others/not benefit from efficiencies that AI can deliver. 	<ul style="list-style-type: none"> The Society has developed a new overarching AI policy, which establishes minimum standards for the safe adoption of AI tools across the business. We have continued to invest to ensure we have the appropriate internal skills and capabilities to deploy required AI solutions. We will continue to monitor the development of these new AI technologies, including the speed of competitor uptake, and assess how they could be incorporated into our operations on a test and learn basis. Alongside this we will look to further develop internal risk and control frameworks to manage the associated risks as adoption of AI solutions evolves.
Climate change risk:	
Overview	Mitigating actions
<ul style="list-style-type: none"> Climate risk continues to be classified as an emerging risk due to uncertainty surrounding the exact nature and timing of the impact on our strategy and operations. Both transitional and physical risks could materially affect the Society's eight principal risks, with impacts dependent on the future path of climate change and timescales of government intervention and actions. Stakeholder expectations continue to rise with regards to our management and response to climate risk, which could present heightened reputational risks. During 2025, the PRA published SS5/25, setting out revised regulatory expectations in relation to the identification and management of climate related risks for financial institutions. 	<ul style="list-style-type: none"> We have developed a Climate Strategy centered upon supporting the orderly transition to a greener, net zero economy by 2050 or sooner. As part of this strategy, near-term science-based emission reduction targets have been set for our full value chain. A Climate Risk Management Framework (CRMF) has been implemented across the organisation, including use of climate risk factors and data in our mortgage lending policy and credit decisioning processes. We have reviewed our CRMF against revised regulatory expectations and have developed an implementation plan for 2026. Refer to pages 45 to 50 of the Strategic Report for further information on how the Society manages the risks from climate change.

Viability Statement

Year ended 31 December 2025

In accordance with provision 31 of the UK Corporate Governance Code, the Board is required to explain how it has assessed the longer-term prospects and viability of the Society. This assessment considers our ability to continue in operation and meet our liabilities as they fall due, taking into account our current financial position and the principal and emerging risks set out on pages 37 to 40.

Assessment of longer-term prospects

Our business model, purpose statement and strategic drivers are set out on page 9. The Board receives strategic updates throughout the year, which assess the business model across multiple dimensions. These include consideration of threats from principal and emerging risks, additional scenarios that may occur and stress testing. The directors have also reviewed our strategy in respect of the environment, considering the opportunities and risks to the Society's business from climate change. This includes physical risks to the Society's mortgage stock and own properties, and transitional risks as the UK migrates to a net zero economy. Further details are provided on pages 37 to 40 of the Strategic Report.

The strengths of our business model and the Society's financial position, capital strength and levels of profitability over the next five years and beyond are included in the Board's consideration.

These reviews concluded that the Society remains in a strong and resilient financial position, which will enable us to support members, colleagues and communities through the current period of economic uncertainty. Our purpose statement and strategic drivers reflect the environment in which we now operate and aim to maintain the relevance of our business model, including managing and mitigating potential threats.

Financial and operational stress testing

The Society utilises a stress testing programme which includes regular operational planning exercises and more formal risk assessments. The elements of this programme are discussed in detail on pages 61 and 62 of the Risk Management Report.

The Society's process for forecasting financial performance takes into account our strategic objectives, the risk involved in meeting those objectives and our strategic risk appetite. The corporate planning and alternative scenario modelling processes assess these forecasts under a range of macroeconomic scenarios which reflect the current uncertainty in the macroeconomic environment, as well as the behaviours and needs of current and potential future members.

The Board assesses the Society's capital and liquidity viability through the ICAAP and ILAAP. These consider our ability to withstand severe capital and liquidity stresses set out by regulators. The processes incorporate new and emerging regulation, where sufficient information is available. Mitigating management actions and the ability of those actions to minimise the impacts of the applied stresses are also evaluated.

The ICAAP concluded that the Society has headroom over regulatory requirements and would have sufficient capital resources to withstand both the central and stressed scenarios under current and confirmed future requirements.

The ILAAP also concluded that the Society is able to meet both internal and external liquidity risk capacity requirements and regulatory requirements under modelled stress scenarios.

Further stress testing, including recovery plan testing, is carried out on each of the principal risks outlined on pages 63 to 85. This is performed to understand our ability to withstand extreme stress scenarios, including adverse economic scenarios that go above and beyond those experienced at any point previously, major volatility in financial markets, significant liquidity outflows and operational risk events. This testing demonstrates that there are appropriate resources, measures and controls in place to withstand these extreme events.

Reverse stress testing considers a range of specific scenarios which would cause the Society to fail and has concluded that, since such scenarios are unlikely to occur, they do not pose a risk to the viability of the business.

Stress testing of operational resilience is undertaken to verify that the Society has appropriate measures in place for the delivery of key customer-facing services during a stress event. This is performed using a number of severe but plausible scenarios, including third party failure, cyber attack, IT and system failures and loss of key premises. The testing demonstrated that resilience is broadly in line with expectations and supports the ongoing viability of the business.

The Society assesses its resilience to people risks and capabilities by regularly conducting talent and succession planning reviews for key roles, up to and including the Board. We also identify and monitor key person risks for roles with strategic importance and mitigate these where appropriate to maintain operational resilience and to safeguard continuity of service.

The risk management process, detailed on pages 58 to 85, includes ongoing monitoring and reporting of new and emerging risks. This allows us to make additional enhancements to the control environment, to adapt to and respond quickly to these risks.

Assessment period used for reviewing viability

The Board considers the viability of the Society over a three year period to 31 December 2028. A three year period for viability is determined to be appropriate for the following reasons:

- Uncertainty is inherent in the predictions of economic, competitive and regulatory environments, particularly in the current climate. Going beyond the three year period increases this uncertainty and reduces the reliability of the assessment of viability.
- It is within the period covered by our projections of cash flows, capital and profitability. However, there is nothing in our planning beyond the three years that would cause a change in the Board's consideration of viability.

Assessment of viability

The Board has assessed the financial impact of the modelled stress scenarios and the outcomes from operational resilience testing described previously. Based on these assessments the Board believes that:

- Our business model remains appropriate and will continue to be relevant as the operating environment evolves.
- We have and will continue to maintain an appropriate level of liquidity, which meets the expected demands of the business and the requirements that arise in modelled stressed scenarios.
- We hold sufficient capital resources, including an excess above the regulatory minimum and have plans in place to ensure we meet future known requirements. We have sufficient resources under both central and modelled stressed scenarios.
- There are suitable operational capacities in place to manage the impacts of risk events to a reasonable extent, though it is impossible to eliminate all risk. This has been evidenced as we operated effectively under the economic uncertainty and disruption observed in recent years.

The Board has a reasonable expectation that the Society will be able to continue in operation and meet our liabilities as they fall due, over the three year period to 31 December 2028.

Climate-Related Financial Disclosures

Year ended 31 December 2025

Section 1- Climate-related financial disclosures overview

Climate risks, both physical and transitional, have continued to intensify during 2025. The trajectory remains uncertain amid geopolitical tensions and growing polarisation around net zero. Global temperature increases reached 1.5°C for the first time in 2024, with long-run averages expected to reach this level by 2028-30, escalating the risk of increased and irreversible impacts.

At Leeds Building Society, supporting the orderly transition to net zero is an important part of our purpose. We take a careful, long term approach that balances environmental responsibility with affordability, financial resilience, and the best interests of both current and future members and the wider communities we serve.

Our climate disclosures are based on recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and requirements of the Companies Act 2006 414CA and 414CB, which are structured around four pillars to provide consistent information on the Society's exposure to, and management of, climate risks.

1. Strategy	2. Governance	3. Risk management	4. Metrics and targets
Actual and potential impacts of climate change on the Society's business, strategy and financial planning.	The Society's governance arrangements around climate-related risks and opportunities.	The processes used by the Society to identify, assess, and manage climate-related risks.	The metrics and targets used by the Society to assess and manage relevant climate-related risks and opportunities.

In line with the UK government's target to reduce greenhouse gas emissions 100% compared to 1990's levels by 2050, we remain committed to supporting the orderly transition to net zero.

During 2025, we have further developed our climate strategy and approach to risk management in line with emerging standards and good practice. The Society's separate climate-related disclosures and transition plan sets out our climate ambitions, actions and accountabilities in more detail. References to these disclosures have been included on the following pages to signpost where further information can be found.

► Our full climate-related disclosures and transition plan are available on our website:

leedsbuildingsociety.co.uk/press/financial-results

Summary of our climate ambitions and targets

Overall strategic aim Support the orderly transition to a greener, net zero economy by 2050 or sooner	
<p>↓ 90%</p> <p>Targeted reduction in our absolute Scope 1 and 2 market-based emissions of 90% by 2034, from a 2024 base year.</p> <p>2025 status: Ahead</p> <p>Long term outlook: On track</p>	<p>↓ 60%⁽¹⁾</p> <p>Targeted reduction in our absolute Scope 1 and 2 location-based emissions of 60% by 2034, from a 2024 base year.</p> <p>2025 status: Ahead</p> <p>Long term outlook: Uncertain (2)</p>
<p>↓ 35%</p> <p>Targeted reduction in our absolute indirect operational Scope 3 emissions (categories 1-14) of 35% by 2034, from a 2024 base year.</p> <p>2025 status: Ahead</p> <p>Long term outlook: Uncertain (2)</p>	<p>↓ 70%</p> <p>Ambition to reduce the intensity of our Scope 3 financed emissions (category 15) from our residential mortgage book 70% by 2034, from a 2024 base year.</p> <p>2025 status: Ahead</p> <p>Long term outlook: Uncertain (2)</p>

Notes

- (1) During 2025 we increased our Scope 1 and 2 location-based target from 42% to 60% to align with minimum requirements of the Science-Based Targets initiative (SBTi).
- (2) Long term outlook reflects our view of the likelihood of achieving net zero based on current external dependencies/ challenges and progress.

Section 2- Summary of TCFD and Companies Act requirements

The table below summarises our response to the 11 TCFD recommendations, as well as areas of planned future development to further enhance our approach. Page references indicate where further detail can be found in our full climate-related disclosures and transition plan, available on our website:

Climate Strategy	
1. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	
Approach and assessment	<ul style="list-style-type: none"> • We assess climate change impacts (physical and transition risk factors) across each of our eight principal risk categories over the short term (zero to three years), medium-term (three to five years) and long term (five years+) using a range of different future scenarios based on different climate pathways. • Key risks that we have identified include: <ul style="list-style-type: none"> – Strategic (physical and transition risk – short/medium-term): impacts to the delivery of our strategic priorities, corporate plan and purpose (reputational damage from inappropriate targets, disclosures and progress against our ambitions, and economic shocks from climate change and the transition to net zero). – Credit and capital (physical and transition risk – medium/long term): losses from our mortgage or treasury assets due to increases in Probability of Default (PD) and Loss Given Default (LGD) from the impacts of climate change on property valuations and obligor creditworthiness. – Operational (physical risk – long term): climate factors, such as flooding, inhibit delivery of our important business services (Society and third party services). – Conduct (transition risk – short/medium-term): potential customer detriment due to the design and sale of green finance products and services. – Model (physical risk – short term): incorrect decision-making due to gaps in climate data or errors in climate models used to assess and manage the risks. – Market (transition risk – medium/long term): impacts to profitability due to increases in carbon prices or the repricing of asset values to reflect climate risks. – Funding and Liquidity (transition risk – medium/long term): impacts to profitability due to increases in retail/wholesale funding prices or reductions in available collateral to support central bank or wholesale funding programmes. • Key opportunities that we have identified include: <ul style="list-style-type: none"> – Transition finance: development of innovative financial products to help members reduce their carbon footprint or adapt to climate changes. – Communication: engagement with colleagues, members, suppliers and government to increase understanding of climate change and lead the way towards an orderly and fair transition to net zero. – Partnerships: collaboration with key organisations to innovate, share knowledge, good practice and collectively solve climate challenges. – Resilience: increased operational and financial resilience through mitigation of physical and transitional risks and reduced cost of energy use. – Strategy: supporting delivery of our purpose to help more people own their own home – generation after generation.
Key mitigants	<ul style="list-style-type: none"> • Integration of climate change into our strategy and corporate planning process. • Regular identification, monitoring and management of climate risks and opportunities in accordance with our Climate Risk Management Framework (CRMF). • Automated flood and ground risk, and energy efficiency assessments as part of our credit origination processes. • Credit and treasury policy controls and concentration limits. • Regular stress testing of our strategy and balance sheet using multiple climate pathways. • Alignment of our climate disclosures with good practice and regulatory requirements. • Product Governance Framework and colleague training. • Model Risk Management Framework and monitoring.

Climate-Related Financial Disclosures continued

Climate Strategy	
Future priorities and dependencies	<ul style="list-style-type: none"> • Refinement and delivery of our climate transition plan. • Stakeholder engagement across our value chain (members, government and suppliers) to influence actions in support of our ambitions. • Development and roll out of our green finance proposition. • Refinement and development of our climate scenario analysis and closure of data gaps. • Consideration of the impacts of nature and biodiversity risk in conjunction with climate change.
Further details	Climate-related Disclosures and Transition plan – Sections 1.2 and 3.2
2. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	
Approach and assessment	<ul style="list-style-type: none"> • Strategic and financial impacts from climate change are regularly reviewed and monitored through risk assessments and key risk indicators (KRI) reported to our Board Risk Committee (BRC) and scenario analysis as part of our ICAAP. • The Society operates a relatively simple business model, providing residential mortgages in the UK, funded through members' savings and wholesale markets. We do not directly finance any fossil fuel activity or carbon-intensive industries, and our liquidity portfolio is primarily invested in high quality UK government assets for regulatory purposes. • Based on our current business model and climate exposures, the overall immediate impact to our strategy and financial performance is not considered material, but we will continue to monitor this as the risks evolve. • The Society continues to have limited exposure to physical risk (flooding and ground risks), both currently and under a range of future climate pathways modelled over the next 30 years, due to the geographically diversified profile of our UK-focused mortgage portfolio and operational resilience arrangements. • While more material medium to longer-term impacts are posed by transition risks under a late transition scenario, where actions to achieve net zero are disorderly and concentrated in a short period during the 2030s, transition pathways remain highly uncertain. Our strong capital position and lending controls means our business model remains resilient to the most extreme transitional stress scenarios modelled.
Key mitigants	<ul style="list-style-type: none"> • Regular stress testing of the mortgage portfolio is performed using multiple physical and transition risk pathways over the next 30 years. • Climate risks are reflected in our approach for expected credit loss (ECL) modelling under IFRS 9 Financial Instruments (refer to page 172 for further details) to ensure potential future losses from climate change are appropriately reflected in our financial results. • Our climate transition plan ensures we have clear actions to minimise the future impacts of climate risks and adapt our business model for any opportunities over the medium to longer term.
Future priorities and dependencies	<ul style="list-style-type: none"> • Consideration of new regulatory requirements for the management of climate risk (PRA SS5/25). • Development of our climate scenario testing and IFRS 9 modelling capabilities. • Consideration of emerging climate risks for the UK, including heat stress and storm damage. • Further integration of climate risks and opportunities into our financial and strategic planning and risk management processes.
Further details	Climate-related Disclosures and Transition plan – Sections 3.2 and 3.3

Climate Strategy

3. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Approach and assessment	<ul style="list-style-type: none"> Our ICAAP considers the impacts of three different scenarios and pathways over the next 30 years with different degrees of physical, transitional and economic risks linked to climate change: <ul style="list-style-type: none"> Early policy action scenario (EPA): assumes there is an orderly transition to net zero by 2050, keeping future temperature increases to 1.8°C above pre-industrial times (medium transition risk and limited physical and economic risk). Late policy action scenario (LPA): assumes a disorderly transition to net zero by 2050, resulting in high transition risk and limited physical risk, keeping temperature increases to 1.8°C (high transition risk, medium economic risk and limited physical risk). No policy action scenario (NPA): assumes there are no further policies to limit global warming resulting in high physical and economic risks and limited transition risks, leading to temperatures rising 3.3°C. Results of our scenario testing indicate that ECL would increase versus the counterfactual under all three of the scenarios. The biggest impact was observed under the NPA scenario, largely due to the economic impacts of the scenario and amplified physical risk losses. Despite this, the Society's capital position and strategy continued to be resilient to the risks modelled. Our climate emissions targets and ambitions are also aligned with minimum science-based absolute and sectoral requirements for financial institutions, to ensure our strategy aligns with the goal of limiting future temperature increases to well below 2°C.
Key mitigants	<ul style="list-style-type: none"> Regular stress testing of the mortgage portfolio is performed using multiple physical and transition risk pathways. Our CRMF and transition plan ensure we are appropriately assessing and responding to the risks.
Future priorities and dependencies	<ul style="list-style-type: none"> Refinement and delivery of our climate transition plan and scenario analysis, including consideration of shorter-term scenarios, reverse stress tests/sensitivities and dynamic balance sheet assumptions. Progressing actions to deliver against our climate emissions reduction targets. Achieving our ambitions (in particular Scope 3 emissions) continues to be heavily reliant on further government, societal and corporate change to implement the necessary actions required to collectively deliver net zero.
Further details	Climate-related Disclosures and Transition plan – Sections 1.2 and 3.2

Climate Governance

4. Describe the Board's oversight of climate-related risks and opportunities.

Approach and assessment	<ul style="list-style-type: none"> The Board has ultimate accountability for the management of climate risk, including approval of our climate strategy, risk appetite and targets, and overseeing delivery of our transition plan. Senior management accountability for the management of climate risk is assigned to the Deputy Chief Executive Officer. BRC oversees the identification and management of climate risks across all of our principal risks, in line with the Board's stated appetite. The Audit Committee oversees internal systems of control and external disclosures for climate risk, including approval of our transition plan on an annual basis on behalf of the Board. The Remuneration Committee oversees the design and implementation of reward structures to ensure they appropriately motivate colleagues to achieve our climate ambitions. Climate actions are reflected in the Society's remuneration scheme with relevant members of the senior leadership team required to have a personal objective linked to climate priorities. These committees receive periodic management information (MI) to track performance against targets and key risk indicators (KRIs) and are provided with training on key strategic climate related topics periodically.
Future priorities and dependencies	<ul style="list-style-type: none"> Track progress against our transition plan and the management of climate risks. Oversee agreement and implementation of plans to address any gaps against PRA SS5/25. Continue to develop Board understanding of climate related risks and mitigants, including regulatory and external changes and emerging risks such as nature and biodiversity.
Further details	Climate-related Disclosures and Transition plan – Sections 1.2 and 3.2

Climate Governance	
5. Describe management's role in assessing and managing climate-related risks and opportunities.	
Approach and assessment	<ul style="list-style-type: none"> The BRC is supported by five Executive Risk committees, each of which focus on discipline(s) of the risk universe influenced by climate change factors. The ESG and Climate forums support development of the Society's Climate strategy and targets and monitor progress under the oversight of the Executive Committee. Responsibility for managing climate-related risk has been assigned to the Deputy CEO, as the appropriate Senior Management Function under the PRA's Senior Managers Regime. Mandatory climate risk training has also been introduced for all colleagues, and colleague engagement has been facilitated through a dedicated Green Champions network of colleagues.
Future priorities and dependencies	<ul style="list-style-type: none"> Further embed climate risk into management risk committee oversight and accountabilities. Review our climate governance arrangements in line with SS5/25. Implement required actions under our transition plan. Refine our climate strategy in response to changes in the external environment, as part of our wider ESG strategy.
Further details	Climate-related Disclosures and Transition plan – Section 3.1
Climate Risk Management	
6. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	
Approach and assessment	<ul style="list-style-type: none"> The CRMF is integrated into our ERMF to ensure that climate risks and opportunities are appropriately identified, measured, managed, monitored, and reported. Refer to the Risk Management Report for further details about our ERMF. We do not view climate risk as a separate principal risk category, but as a factor that has a bearing across our other principal risks. Under our CRMF and ESG policy, our climate risk appetite has been defined in line with current good practice guidance, combining a qualitative statement with measures, which the Society uses to assess adherence to appetite over the short, medium and long term. Control of climate-related risks is codified through our ESG policy, which is approved by BRC.
Future priorities and dependencies	<ul style="list-style-type: none"> Enhance approach for the identification and quantification of climate risks, in line with new regulatory expectations under PRA SS5/25. Refinement of our climate risk appetite in line with SS5/25. Development of our climate related disclosures in line with emerging regulations.
Further details	Climate-related Disclosures and Transition plan – Section 3.1
7. Describe the organisation's processes for identifying and assessing climate related risks.	
Approach and assessment	<ul style="list-style-type: none"> We use our CRMF and ERMF to assess how climate change risks could impact each of our eight principal risks over the short, medium and long term. Risks and mitigating controls are recorded in business unit risk registers to enable effective monitoring and reporting on an enterprise-wide basis and are reassessed at least twice yearly as part of our established Risk and Control Self Assessment (RCSA) process. Risk assessments are based on several factors such as external horizon scanning (including the impacts of changing regulation and government policy), scenario testing, insights from property-level climate data, external benchmarking and supplier due diligence. The outputs from risk assessments are reported through our established governance arrangements, including BRC and the Climate Forum.
Future priorities and dependencies	<ul style="list-style-type: none"> Enhance the approach for the identification and quantification of climate risks, in line with new regulatory expectations under PS25/25. Further analysis of climate transition risks, following changes in government net zero policies. Enhance scenario analysis processes to support climate risk identification.
Further details	Climate-related Disclosures and Transition plan – Sections 3.1 and 3.2

Climate Risk Management

8. Describe the organisation's processes for managing climate-related risks.

Approach and assessment	<ul style="list-style-type: none"> • Where appropriate, the management of climate-related risks and opportunities have been incorporated into existing governance and risk management processes, to ensure that they are being monitored and managed in line with Board approved appetite. • We define roles and responsibilities in relation to climate risk under a three lines of defence approach, reflective of our size and complexity. Business units (first line of defence) are responsible for the identification, assessment, and management of climate change risks across the Society. The Risk Division (second line of defence) maintains the CRMF, monitors and reports on the management of climate risks and develops our climate scenario analysis, stress testing and disclosures. Internal Audit (third line of defence) provides independent assurance to the Board on the adequacy and effectiveness of first- and second-line climate risk management. • A climate change operating model has been established to assist the Board and Deputy CEO in the effective identification and management of climate risks. A central strategy and risk management hub ensures there is close alignment between our purpose and climate risk appetite. • Updates on the management of climate-related risks are regularly reported through our established governance arrangements, including the current position against KRIs and other MI e.g. results of scenario analysis and risk assessments.
Future priorities and dependencies	<ul style="list-style-type: none"> • Review and refinement of our strategic posture, climate risk appetite and KRIs. • Review our operating model, roles and responsibilities, and capabilities.
Further details	Climate-related Disclosures and Transition plan – Section 3.2

Climate metrics and targets

9. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Approach and assessment	<ul style="list-style-type: none"> • The Society has set near-term science-based emissions targets and ambitions covering our full value chain to support our transition to net zero: <ul style="list-style-type: none"> – Reduce absolute Scope 1 and 2 market-based emissions 90% by 2034. – Reduce absolute Scope 1 and 2 location-based emissions 60% by 2034. – Reduce absolute Scope 3 (categories 1-14) emissions 35% by 2034. – Reduce the intensity of Scope 3 (category 15) emissions from our residential mortgage portfolio 70% by 2034. • Our targets are set in line with the requirements of the Science-based Targets institute (SBTi) and are aligned with a well below 2°C emissions pathway. • During 2025, we obtained external assurance from a third party specialist regarding our climate targets and emissions reporting. Ahead of this process we revised our Scope 1 and 2 location-based emission target to a 60% reduction by 2034, from a 2024 base year (previously 42%). Refer to section 3 for further details.
Future priorities and dependencies	<ul style="list-style-type: none"> • Development of our climate data architecture and reporting capabilities. • Consideration of additional targets to support the net zero transition.
Further details	Climate-related Disclosures and Transition plan – Section 3.4

Climate-Related Financial Disclosures continued

Climate metrics and targets	
10. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	
Approach and assessment	<ul style="list-style-type: none"> • We also monitor several internal climate KRIs for climate-related risks. • Physical risk KRIs: <ul style="list-style-type: none"> – Percentage of mortgage balances with high or very high physical risk (flooding and ground risk) under a range of future climate scenarios. – Stressed credit losses from physical and transition risks modelled under our ICAAP. – Number of Society properties with high or very high physical risk. – Percentage of colleagues located in high physical risk areas. • Transition risk KRIs: <ul style="list-style-type: none"> – Percentage of mortgage balances with current and potential EPC ratings of C or below. – Stressed transitional credit losses under our ICAAP. – External ESG ratings. – Carbon prices. – Supplier due diligence risk scores. – Government policy implementation and progress towards UK targets. – Liquidity investments with high climate risk. – Complaints and adverse publicity related to climate change.
Future priorities and dependencies	<ul style="list-style-type: none"> • Refine our KRIs in line with emerging climate risks and regulations and embed them into governance reporting.
Further details	Climate-related Disclosures and Transition plan - Section 3.4
11. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	
Approach and assessment	<ul style="list-style-type: none"> • We measure our Scope 1, 2 and 3 emissions using the World Resources Institute and the World Business Council for Sustainable Development GHG Protocol, which is the internationally recognised standard for the measurement, management, and reporting of GHG emissions. • We measure and disclose CO2 equivalent emissions annually across our full value chain, including all relevant Scope 3 categories, in line with agreed methodologies published by the Partnership for Carbon Accounting Financials (PCAF). • During 2025, we have expanded our reporting to include financed emissions associated with our investments in sovereign debt as part of our liquidity portfolio. • Data quality and availability are the key risks to the accuracy of our emissions reporting. We use actual consumption data and emission factors where available. Where data is not available, we use a range of proxies to estimate emissions. We report data quality scores for each of our emissions categories to enhance the transparency of our disclosures and track progress. See section 3 for further details. • Where there are material changes in our emissions calculation methodologies or data that result in a >5% difference in emissions, we disclose the change and re-baseline our associated targets in line with SBTi requirements. • Our emissions disclosures are subject to external verification by an independent third party.
Future priorities and dependencies	<ul style="list-style-type: none"> • Implement actions under our transition plan to influence reductions in our emissions. • Consideration of new regulatory requirements and standards for emission reporting, including the UK's adoption of International Sustainability Standards Board (ISSB) reporting, revised PCAF methodologies for financed emissions and proposed amendments to the GHG Protocol.
Further details	Section 3 of this report

Section 3 – Our greenhouse gas (GHG) emissions

Our GHG reporting has been completed in accordance with requirements of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the UK's Streamlined Energy and Carbon Reporting (SECR) regulations. We have set our organisational GHG emissions boundary using the operational control approach, which captures GHG emissions linked to entities under our control. Reported emissions encompass the seven GHGs defined under the Kyoto Protocol and are broken down into three main categories:

Category	Control	Source	Disclosure	Description
Operational emissions				
Scope 1	Direct	Our buildings	Mandatory	Direct GHG emissions that originate from assets that we own or control e.g. emissions from the combustion of gas to heat our buildings or fugitive emissions from ventilation systems.
Scope 2	Indirect	Purchased electricity	Mandatory	Emissions from the generation of purchased electricity. Under the GHG Protocol, we are required to report Scope 2 emissions under both market and location-based approaches.
				The market-based approach reflects emissions from energy that we have purposefully chosen e.g. renewable electricity.
				The location-based approach reflects emissions from purchased energy based on the average emissions intensity on the grids upon which consumption occurs.
Value chain emissions				
Scope 3 (Category 1 – 14)	Indirect	Upstream and downstream activities	Voluntary	Indirect emissions that occur in our upstream and downstream operational activities i.e. emissions from activities linked to the provision of our products and services (predominantly from the third party goods and services that we purchase).
Scope 3 (Category 15)	Indirect	Downstream activities	Voluntary	Indirect emissions that occur downstream in our value chain i.e. emissions from our investments (predominantly from use of the mortgaged properties that we finance).

Climate-Related Financial Disclosures continued

2025 GHG emissions reporting

The Society's GHG emissions for 2025 are summarised below, with comparison to the prior year. During 2025, we have made several changes to our emissions calculation methodologies in line with evolving industry standards and good practice. Restatements are highlighted in the footnotes to the table below with further explanation provided in the subsequent sections.

Emissions Category (1)		2025 (tCO ₂ e)	2024 (tCO ₂ e)	Change	Data score
Scope 1	Diesel	0	2	-85%	3.0
	Gas	16	29	-43%	2.0
	Fugitive	58	235	-75%	2.0
Scope 2	Electricity – market based	4	9	-57%	3.0
	Electricity - location based	407	471	-14%	2.0
Total Scope 1 and 2 – Market Based		79	275[†]	-71%	2.1
Total Scope 1 and 2 – Location Based		481	737[†]	-35%	2.0
Scope 3	Purchased goods and services (2)	5,862	8,018 (3)	-27%	3.6
	Capital goods	673	731 (3)	-8%	4.1
	Fuel and Energy Related Activities (FERA)	160	160	0%	2.0
	Upstream transportation	802	459 (3)	75%	2.1
	Waste from operations	4	9	-55%	3.6
	Business travel	175	176	-1%	2.0
	Employee commuting and home working	1,457	1,552 (3)	-6%	5.0
	Downstream leased assets	18	25	-29%	4.0
Total Scope 3 emissions (categories 1-14)		9,151	11,131	-18%	3.7
Scope 3	Residential mortgages	203,602	212,835	-4%	2.6
Total Scope 3 emissions (categories 1-15)		212,753	223,966[†]	-5%	-
Total emissions – market based		212,831	224,241[†]	-5%	-
Total emissions – location based		213,234	224,703[†]	-5%	-
Energy consumption (Mwh)		2,386	2,431	-2%	-
Scope 1 and 2 emissions intensity (per FTE)		0.1	0.2	-72%	-
Scope 1 and 2 emissions intensity (per £ revenue)		11.4	12.4	-8%	-

Notes

† = Calculations that have been validated by an independent third party. Equivalents for 2025 will be subject to validation during 2026.

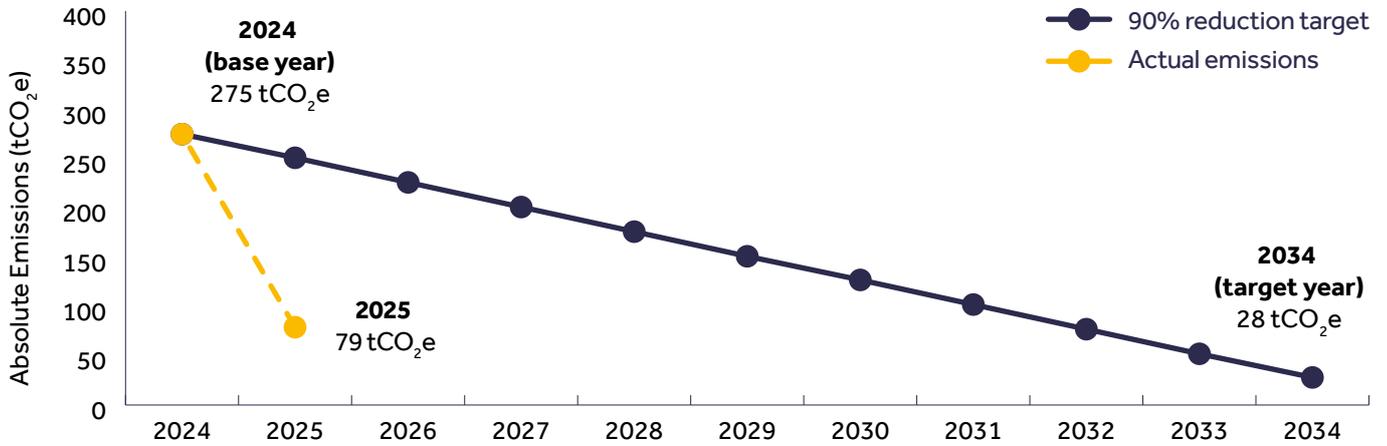
- (1) tCO₂e stands for tonnes of carbon dioxide equivalent (the recognised measure for GHG emissions).
- (2) Excludes emissions associated with mortgage brokers that introduce customers on our behalf, on the basis that this activity represents independent intermediated financial activities rather than purchased goods and services. We estimate that these emissions equated to an additional 5,511 and 6,033 tCO₂e in 2025 and 2024 respectively, based on a spend-based methodology and CEDA emission factors.
- (3) 2024 emissions have been restated for purchased goods and services (22,802 tCO₂e), capital goods (863 tCO₂e), upstream transportation (470 tCO₂e), business travel (165 tCO₂e) and employee commuting and home working (1,526 tCO₂e) following changes in the calculation methodology.

Scope 1 and 2 emission targets and performance

Our Scope 1 and 2 targets continue to be guided by the principles of an absolute contraction science-based net zero pathway and will align our Scope 1 and 2 emissions with the Paris Agreement goal to limit future temperature increases to 1.5°C. That means we plan to reach net zero for our Scope 1 and 2 emissions by 2034 on a market-based approach (a reduction of 90% from our 2024 base year) and reduce our Scope 1 and 2 emissions by 60%⁶ over the same period on a location-based approach.

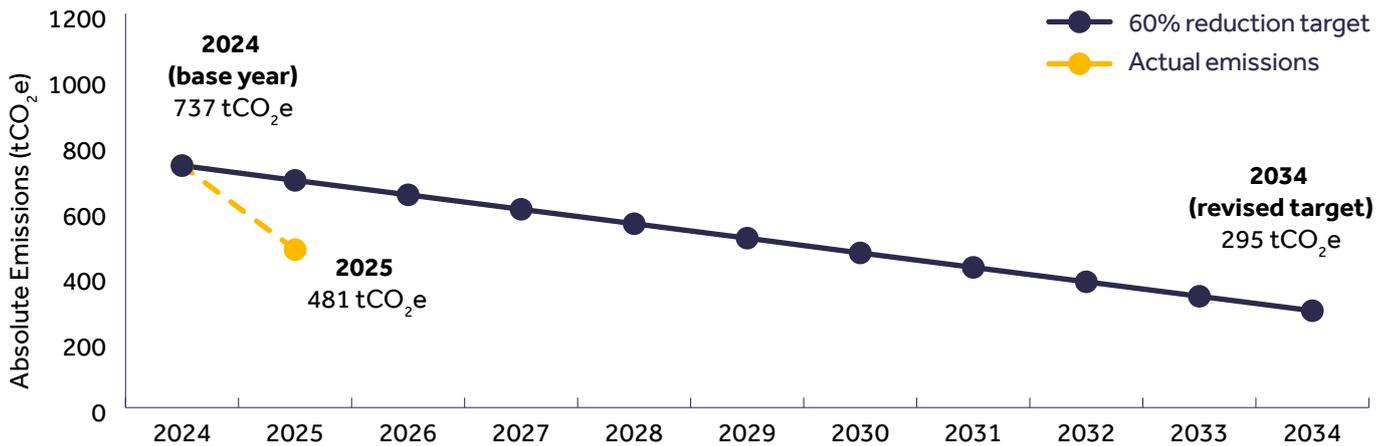
⁶ Our Scope 2 location-based target was revised to 60% in 2025 (previously 42%) to align with SBTi requirements.

Scope 1 and 2 market-based 90% reduction target



The chart above shows our Scope 1 and 2 market-based emissions between 2024 and 2025 together with our 2034 target. Key actions to reduce these emissions will include removal of gas from our remaining buildings, managing fugitive emissions, and maintaining our use of renewable electricity.

Scope 1 and 2 location-based 60% reduction target



The chart above shows our Scope 1 and 2 location-based emissions between 2024 and 2025, together with our 2034 target. Key actions to reduce these emissions will include retrofitting our branch estate to improve energy efficiency and the government's decarbonisation of the UK electricity grid.

Our Scope 1 and 2 market-based emissions reduced 71% in 2025 vs. 2024. This reduction was driven by a lower level of fugitive emission leaks at one of our sites and lower gas consumption, following removal of gas at several branches during the year.

A similar trend was also observed for our Scope 1 and 2 location-based emissions, which reduced by 35% year on year. In addition to the benefits gained under a market-based approach, location-based emissions have benefitted from decarbonisation of the UK electricity grid and installation of solar power at one of our branches.

In line with actions defined under our transition plan, we expect our future Scope 1 and 2 emissions to trend down in line with our targets towards 2034. Key risks to meeting our targets remain the reliance on decarbonisation of the UK electricity grid, availability of renewable energy sources, and decarbonisation of the heating and cooling systems used in our buildings.

We have calculated a data score of 2.1 for our Scope 1 and 2 market-based emissions and 2.0 for our Scope 1 and 2 location-based emissions using the PCAF methodology (with 1 being the highest data quality and 5 the lowest quality).

The data scores reflect the high proportion of actual versus estimated consumption data and the use of average emissions factors provided by the Department for Energy Security and Net Zero (DESNEZ) in line with requirements of the UK's SECR regulations.

Scope 3 operational emissions (categories 1-14)

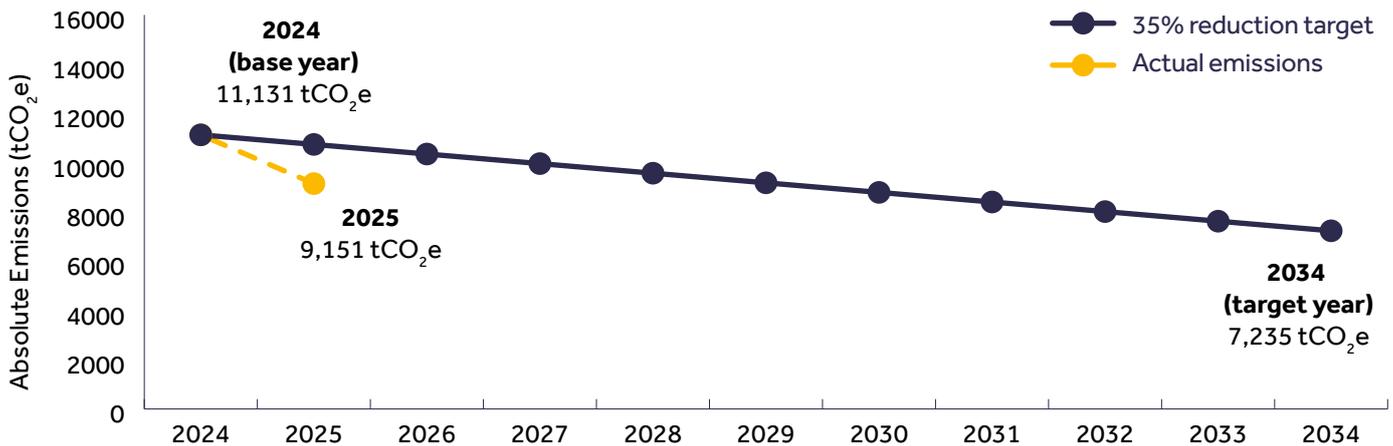
Our Scope 3 operational targets are currently aligned with a well below 2°C future temperature pathway, in accordance with requirements of the SBTi. During 2025, we updated our methodology for calculating supply chain emissions (Scope 3 categories 1, 2 and 4) to align with emerging practice. We now use a combination of CEDA data and actual supplier data (where available) to determine emission factors and calculate our supplier emissions. In addition, we have removed Value Added Tax (VAT)⁷ and expenditure with mortgage brokers⁸ from our supply chain emission calculations for both 2025 and 2024, which is consistent with good practice and principles of the GHG protocol.

We have also restated our emissions for business travel and colleague commuting and home working following refinements to spend data and emission factors.

As a result of these methodology changes, the PCAF data score for our Scope 3 operational emissions has improved from 4.0 to 3.7. We expect the score to increase over time as the proportion of actual supplier data in our calculations increases.

Overall, our Scope 3 operational emissions decreased 18% from 11,131 tCO₂e in 2024 to 9,151 tCO₂e in 2025. We expect our emissions to remain broadly stable over the near-term, as further improvements in supplier performance are offset by increased expenditure in line with our investment plans. Towards the end of decade we expect emissions to reduce in line with our target trajectory, subject to the actions and dependencies set out in our transition plan.

Scope 3 categories 1-14 35% reduction target



The chart above shows our Scope 3 operational emissions between 2024 and 2025, together with our 2034 target. Key actions to reduce these emissions will include engagement with our supply chain to reduce emissions from our purchased goods and services and encouraging our colleagues to make greener choices for business travel and commuting.

⁷ VAT is a consumption tax rather than a purchased good or service, therefore it has been excluded from our supplier chain calculations.

⁸ The Society utilises mortgage brokers to introduce customers in exchange for fee-based commission. These payments have been excluded from our supply chain emissions because they represent independent intermediated financial activities rather than contracted services and purchased goods.

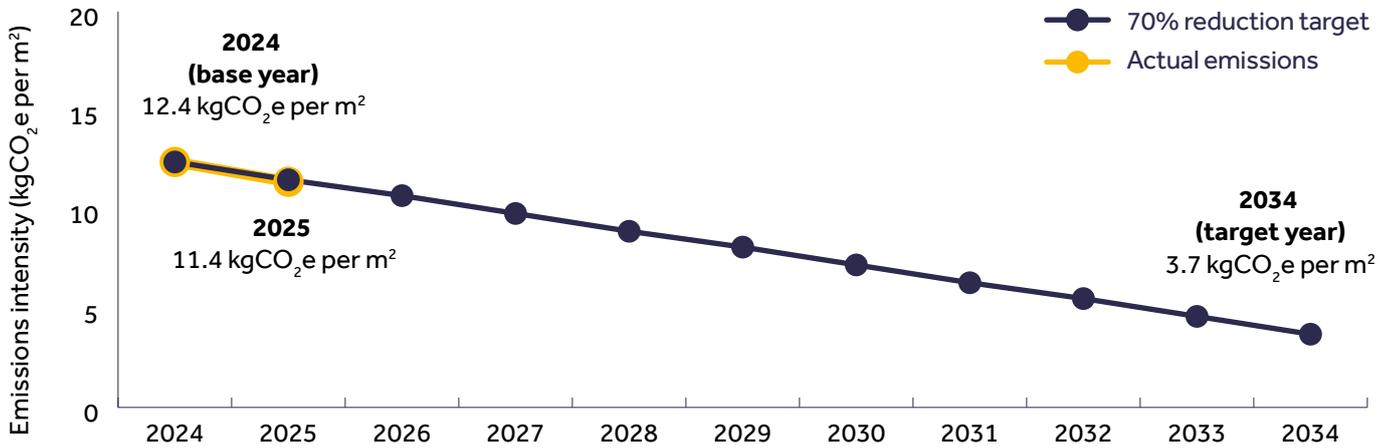
Scope 3 residential mortgage emissions (category 15)

Our near-term Scope 3 category 15 ambition for UK residential mortgages is aligned with a 1.5°C Sectoral Decarbonisation (SDA) pathway, as defined under the SBTi’s new buildings sector target setting guidance for in-use emissions. That means we will aim to reduce the physical emissions intensity of the mortgage properties that we finance by 70% by 2034, from a 2024 base year, using a location-based approach.

Our emissions have been calculated using the PCAF methodology for residential mortgages, which is based on an attribution factor (loan balance divided by indexed property value), multiplied by building emissions (energy consumption multiplied by an emissions factor). We include 100% of our UK residential mortgage balances but loans located in Gibraltar and Spain are excluded (£3.2 million and £29.2 million at 31 December 2025) as these are closed books in run-off and are considered immaterial from an emissions perspective.

We derive building emissions from property-level metered data to provide a more accurate representation of actual energy consumption for our portfolio. Where we are unable to match a property to an energy meter (22% of our portfolio), we have derived consumption from the government’s National Energy Efficiency Data (NEED) Framework. Emission factors are derived from the DEFRA dataset.

Scope 3 category 15 70% reduction target



The chart above shows our Scope 3 financed emissions for residential mortgages between 2024 and 2025, together with our 2034 target. Key actions to reduce these emissions will include decarbonisation of the UK housing stock and electricity grid, development of our green finance proposition and engagement with our members, government and industry.

Climate-Related Financial Disclosures continued

Scope 3 Category 15 Emissions	31-Dec-25	31-Dec-24
Total mortgaged properties	209,177	201,368
Total mortgage lending	£26.0 billion	£24.4 billion
PCAF data score	2.6	2.1
LTV attributed absolute financed emissions (tCO₂e)	203,602	212,835
LTV attributed physical emissions intensity (kgCO₂e/m²)	11.4	12.4
LTV attributed economic emissions intensity (tCO₂e/£m lent)	7.8	8.7

As at 31 December 2025, our location-based absolute LTV attributed mortgage emissions were 203,602 tCO₂e versus 212,835 tCO₂e at the end of 2024. On a physical intensity basis (emissions per square metre), our LTV attributed emissions were 11.4 kgCO₂e/m² for 2025 versus 12.4 kgCO₂e/m² in 2024. The PCAF data score for our mortgage emissions declined from 2.1 to 2.6 based on a location-based approach.

The deterioration in our data score was as a result of an issue with obtaining meter data for all of our mortgaged properties, increasing our usage of NEEDs data as an alternative. We do not believe that this materially impacted our reported emissions (NEEDs data is broadly comparable with our portfolio) and expect the issue to be resolved for 2026 reporting.

We expect future emission reductions in line with our targeted ambition to be challenging due to the dependencies and challenges set out in our transition plan and the lack of progress in decarbonising UK homes.

Scope 3 sovereign debt emissions (category 15)

Following the issuance of a new sovereign debt methodology by PCAF, we have calculated and reported financed emissions on our sovereign bond portfolio for the first time this year. These bonds are held as part of the Society's liquidity portfolio for regulatory purposes.

Given the considerable fluctuations in these balances over time and the limited ability to affect the emissions of issuing nations, these emissions are currently excluded from the Society's financed emissions targets. Estimated emissions for the period ending 31 December 2025 were 453,290 tCO₂e.

We are currently evaluating equivalent new PCAF methodologies for financed emissions from investments in securitisation, structured finance products, and sub sovereign debt and will provide updates in our future disclosures.

Non-Financial and Sustainability Information Statement

Year ended 31 December 2025

We have complied with the requirements of s414CB of the Companies Act 2006 by including certain non-financial information within the Strategic Report. The required information can be found as follows:

- Our business model is described on page 9 and KPIs are on pages 18 to 20.
- Our approach to managing our impact on the environment and to managing the risks arising from climate change is explained on pages 43 to 57. Further details of some of the actions already undertaken as part of our responsible business strategy are set out in our Impact Report.
- Our colleague policy is designed to ensure the fair, transparent and consistent treatment of colleagues in accordance with legislative and regulatory requirements. Further information on our strategy in relation to colleagues is detailed on pages 15 to 17.
- We have a zero tolerance approach to bribery and corruption at the Society and we uphold ethical behaviours in our business activities at all times. The prevention of financial crime policy sets out the requirements of colleagues in this respect and all colleagues undertake regular mandatory training.
- Additionally, our Third Party Management Policy ensures that we only enter into third party arrangements with suppliers that have the policies and procedures in place to comply with all applicable anti-bribery and corruption laws, including the Bribery Act 2010 and the Modern Slavery Act.

Line managers throughout the business are responsible for ensuring colleagues in their teams comply with these policies. Attestation of compliance is provided by first line management annually. Periodic independent reviews of compliance are undertaken by the Risk function (second line) and Internal Audit (third line), using a risk-based approach.

Approval of the Strategic Report

This Strategic Report (on pages 4 to 57) has been approved by the Board of directors and is signed on behalf of the Board.

Jon Bailey
Interim Chief Financial Officer

26 February 2026

Risk Management Report

Approach to Risk Management

Year ended 31 December 2025

Approach to risk management

The Enterprise Risk Management Framework (ERMF) integrates various risk management processes to consistently support the development and implementation of our Strategy. The framework sets out a structured approach to identify, assess, control and monitor risks. The ERMF is periodically reviewed by the Board Risk Committee (BRC), on behalf of the Board. The Chief Risk Officer (CRO) has responsibility for its implementation.



The main components of the ERMF are outlined below:

Risk governance and culture

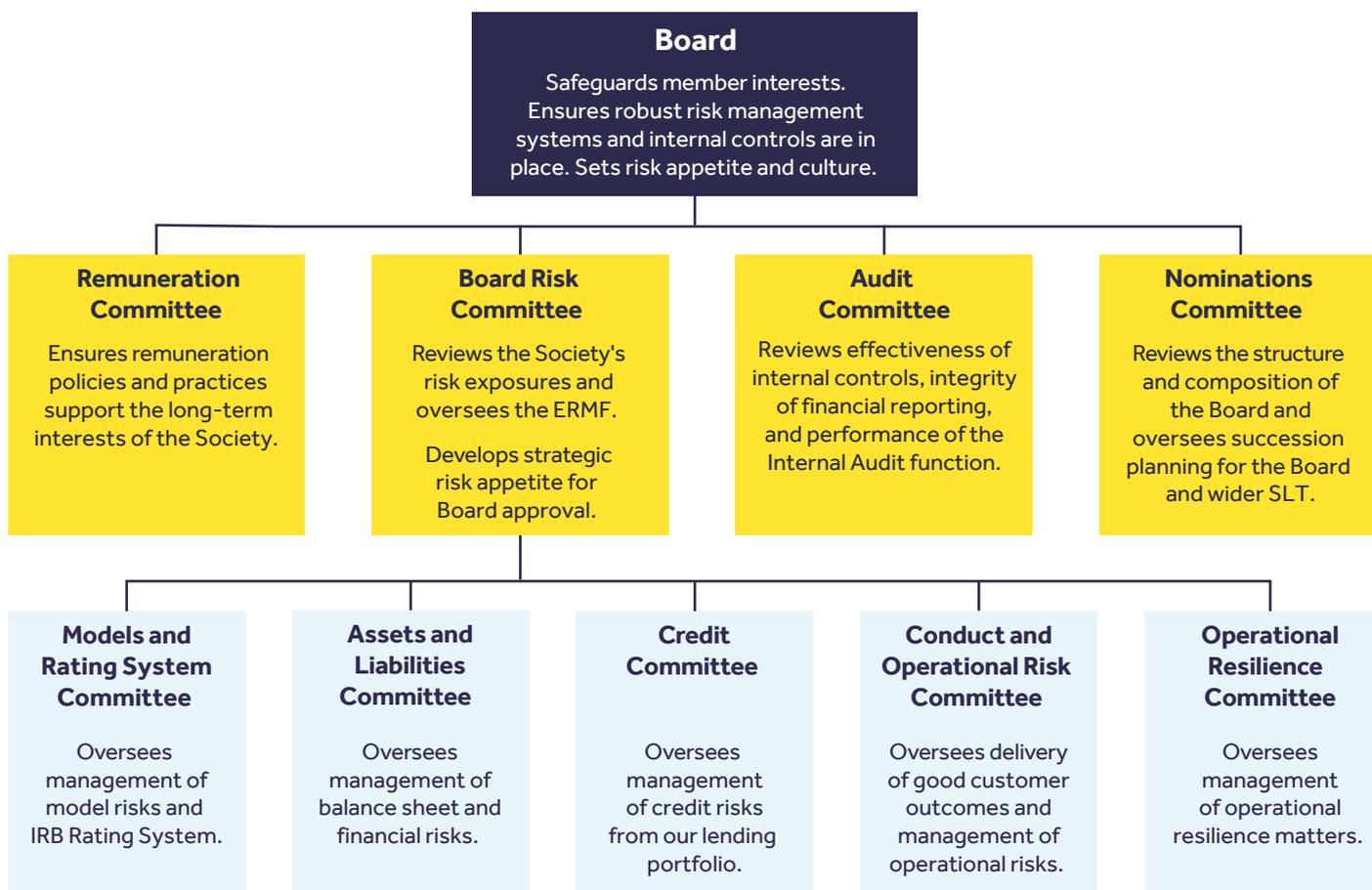
Risk governance encompasses the processes followed to support risk-based decision-making and oversight of risk across all our operations, whereas risk culture relates to the behaviours and attitudes of colleagues in making these decisions. Well established committee structures and our risk culture support the Board in discharging its accountability for risk oversight, with Management responsible for day to day decision-making and management of risk.

Committee structure

The Board is our governing body, responsible for overseeing the implementation of our strategy and holding management to account. To support the Board in the delivery of its responsibilities, we operate four Board Sub-Committees, each with distinct mandates in their Terms of Reference (ToR).

The BRC provides independent oversight of the effective management of risks, on behalf of the Board, which is supported by five Executive Risk Committees, each focusing on a particular risk discipline. These committees are decision-making in nature and operate within delegated mandates and limits provided by the Board/BRC. Our committee structure as at the year end is set out overleaf:

Approach to Risk Management continued



Policies and delegated authorities

Mandates are provided by the Board to Management via the following routes to manage our day to day activities:

Delegation route	Summary
1. Corporate plan	The Board approves a corporate plan annually, subsequent to the setting of risk appetite, which provides the parameters within which management should operate.
2. Policy framework	We operate a tiered policy framework, through which mandates and limits are delegated to Management. Our policies are reviewed on an annual basis (or as appropriate), by relevant committees.
3. Delegated Authorities Manual	The Delegated Authorities Manual is designed to facilitate the effective discharge of responsibilities and continuity of operations within a sound system of financial, operational and budgetary control. It is reviewed by the Board annually.

Three lines of defence model and the Risk Division

Our approach to risk management aligns to a three lines of defence model, which is standard practice within financial services. This ensures a clear delineation of responsibilities between control over day to day operations, risk oversight and independent assurance activities. The key accountabilities under the three lines of defence model are detailed below:

First line (business lines)	Second line (Risk Division)	Third line (Internal Audit)
<ul style="list-style-type: none"> • Executing strategy • Identifying and managing risks, including operating critical controls • Defining appetite • Adhering to appetite, policies and standards • First line risk reporting • Implementing and maintaining regulatory compliance 	<ul style="list-style-type: none"> • Oversight of day to day activities of the first line • Maintenance of the ERMF • Coordination and oversight of the setting of risk appetite and policy • Identifying emerging risks • Enterprise risk reporting • Independent risk-based assurance plans 	<ul style="list-style-type: none"> • Independent risk-based assurance of the adequacy and effectiveness of first and second line risk management

The Risk Division is independent from operational business divisions and ensures we follow a consistent approach to risk management. It is led by the CRO, who reports directly to the CEO, with separate independent engagement with the Chair of the BRC. The Risk Division comprises specialist teams, aligned to key risk disciplines, which provide oversight and independent challenge of first line activities.

Risk culture

Risk culture is an essential element of effective risk management, underpinning how our ERMF is embedded across the business and into decision-making. To maintain an appropriate risk culture, the ERMF includes a risk culture framework, designed around four components:

- **Tone from the top and desired behaviours** – the Board and senior leadership team are expected to role model our behaviours to set the tone for all colleagues.
- **Accountability** – to support the delivery of our strategy and business objectives, individuals at all levels are held accountable for risk management.
- **Effective communication** – an environment of open and transparent communication is encouraged around all business processes and decision-making. The Society's open culture also allows both Management and colleagues to report concerns about potential inappropriate risk taking or business conduct, which is facilitated through a 'Speak Up' policy.
- **Incentives and performance management** – an appropriate incentive scheme and other HR frameworks are operated to promote and align with the desired risk culture.

Risk appetite and stress testing

Risk Appetite framework

A key element of the ERMF is the Strategic Risk Appetite (SRA) framework. This comprises qualitative statements and quantitative metrics to set the parameters within which we should operate to deliver our strategy. Our SRA framework is reinforced through policies and standards, to ensure consistency and alignment to the Board defined parameters.

The Board defines SRA across our eight principal risks and it is reviewed on an annual basis. Performance against appetite is monitored continually and we have developed appropriate early warning indicators and escalation procedures to anticipate and respond to changes in risk profile. SRA metrics are used in corporate planning and stress testing to measure and validate our long term viability, under both plausible and severe scenarios.

Approach to Risk Management continued

Stress testing

Stress testing is a risk management tool that we use to support an understanding of the vulnerabilities within our business model. Our approach to stress testing is defined within a stress testing framework and supports:

- A sound understanding of internal and external influences on our principal risks.
- The Board in strategic business planning and the setting of SRA.
- Management of capital and liquidity resources against SRA and regulatory expectations.

We have developed an annual programme of stress testing activity, which informs the planning process and the calibration of SRA. The key components of the programme are as follows:

Increasing severity	Activity	Description
	Corporate and operational resilience planning	Sensitivity analysis and a suite of alternative scenarios are used to assess the corporate plan under a range of plausible stresses. Operational resilience stress testing is an embedded part of corporate planning.
	Prudential risk assessments	ICAAP – an internal assessment of whether we have sufficient capital, given current risks, as well as future risks from our strategy, under conditions as set out by the Board/PRA. ILAAP – an internal assessment of whether we have sufficient liquidity and stable funding to withstand a range of severe liquidity stresses.
	Climate change	Scenario analysis is used to assess the potential financial and non financial impacts of climate-related risks. Refer to pages 43-56 for further details.
	Recovery plan	Scenario analysis is used to inform the development of a suite of recovery actions (primarily capital and liquidity) to be used under extreme stress and to set and validate operational protocols.
	Reverse stress testing	An assessment of the stress scenarios under which we would potentially become unviable. This examines potential weaknesses in our business model under extreme events so that mitigating actions can be identified (where possible).

Risk assessment and management

We operate defined risk assessment and management processes to facilitate the consistent identification, evaluation, treatment and monitoring of risks across the organisation. The framework can be applied to both strategic and operational risk assessments and is set within the context of our business environment, strategy and objectives. A summary of the four stages of this process is set out below:

- **Risk identification** – we operate Board and operational level risk identification processes to capture new or emerging risks, which could impact corporate objectives and the delivery of our strategy.
- **Risk analysis and evaluation** – a range of methodologies are used to identify risks, to understand their potential severity and likelihood on the delivery of our strategy and to inform risk evaluation and treatment. Management then evaluates and prioritises risks to inform decision-making and to optimise the allocation of resources.
- **Risk treatment** – management selects and deploys appropriate risk responses, balancing the potential benefit derived versus cost, effort and implications for key stakeholders. The principal mechanisms for risk treatment are the deployment of suitable control actions, governance or assurance oversight, along with management information monitoring to reduce the Society's residual risk profile to acceptable levels.
- **Risk monitoring** – risk assessment and management processes are monitored to proactively identify and adjust to changes in risk profile and to understand the effectiveness of implementing risk treatment strategies.

Risk reporting

We operate an appropriate risk reporting hierarchy to provide the right information, to the right people, at the right time, to inform and support timely decision-making. Using a combination of strategic and business process reporting to understand the current or potential risk profile of the business, which may impact the delivery of our strategy and corporate objectives. These reporting processes are conducted at an appropriate frequency and are co-ordinated by the Risk Division.

Principal Risks

Year ended 31 December 2025

1. Credit risk

Definition

The risk that residential borrowers or wholesale counterparties fail to meet their financial obligations.

Sources of credit risk

Our sources of credit risk arise from loans and advances to customers (retail credit risk) and through treasury activities from the investment of liquidity and use of derivatives to manage market risks (wholesale credit risk). The table below presents an overview of our credit risk profile as at 31 December 2025:

Audited	Group 2025 €M	Group 2025 %	Group 2024 €M	Group 2024 %
Cash in hand and balances with the Bank of England	1,413.4	4.5	2,443.2	7.8
Loans and advances to credit institutions	115.2	0.4	152.3	0.5
Investment securities	3,921.9	12.4	3,950.0	12.6
Derivative financial instruments	129.5	0.4	371.1	1.2
Loans and advances to customers	25,962.5	82.3	24,550.5	77.9
Total	31,542.5	100.0	31,467.1	100.0

Retail credit risk primarily arises from the Society's residential mortgage lending activities. The Society has legacy commercial (2025: €3.1 million; 2024: €3.3 million) and Spanish residential mortgage (2025: €29.2 million; 2024: €34.4 million) portfolios, which are closed portfolios in active run-off. On this basis the following sections focus upon residential lending exposures and practices.

1.1 Retail credit risk

Managing and monitoring retail credit risk

We apply a range of controls and procedures to identify, mitigate and monitor retail credit risk:

- A Board defined appetite is approved at least annually, supported by the lending policy, limit frameworks and management reporting.
- Performance is continually reviewed against appetite and adherence with policy limits, with upward reporting through to Credit Committee and BRC.
- Our underwriting processes use a range of tools including credit scoring models, affordability stress testing, automated decision-making and suitably qualified underwriters in assessing mortgage applications. Underwriting processes are kept under close review to ensure they reflect risks in the prevailing environment.
- Independent appraisal of collateral is completed, such as property valuations.
- We operate various first line functions to monitor the retail credit profile on a continuous basis. This is overseen by various teams across the three lines of defence, through their assurance activities.
- Our monitoring processes, including the use of benchmarking, early warning indicators and governance protocols, ensure timely escalation to senior management if there are signs of a deterioration in credit quality.
- A dedicated Mortgage Support function engages with members at an early stage to discuss financial difficulties.
- Stress testing is completed to assess vulnerabilities within credit portfolios and inform pre-emptive actions.

2025 Retail credit risk developments

The credit risk quality of the book has proven to be resilient in 2025 as immediate affordability risks have not crystallised. This is reflected in positive movements in underlying arrears rates and modest reductions in ECL provision coverage. There have also been material reductions in post model adjustments associated with ECL provisions following enhancements to credit risk models. The positive performance of the book has supported appropriate use of lending policies/limits and deployment of credit risk appetite.

Principal Risks continued

Retail credit risk profile

The table below is a breakdown of our retail credit portfolio as at 31 December 2025. The retail credit risk portfolio remains diversified across several segments. Whilst the volume of buy to let balances reduced during the year, an increasing proportion of this portfolio is made up of limited company buy to let loans (5.5% in 2025 versus 2.1% in 2024).

Audited	Group and Society 2025 €M	Group and Society 2024 €M
UK Residential mortgages		
Owner-occupied	16,630.4	15,408.8
Buy to let	5,162.2	5,223.1
Shared ownership	3,611.0	3,363.7
Other	460.7	452.5
Total gross exposure (contractual amounts)	25,864.3	24,448.1
Impairment loss provisions	(43.7)	(45.4)
Total net exposure	25,820.6	24,402.7

The 2024 prior year comparatives have been represented to reflect a more accurate breakdown of residential lending segments.

Geographic concentration

The table below provides a breakdown of the geographic concentration of our retail credit portfolio as at 31 December 2025. Overall, the mortgage portfolio remains well diversified, reflecting the national coverage of our distribution channels.

Audited	Group and Society 2025 %	Group and Society 2024 %
Midlands	15.8	15.7
South East	15.5	15.5
Greater London	11.7	12.1
East Anglia	10.4	10.3
South West	10.0	9.9
North West	10.0	9.9
Yorkshire and Humberside	8.9	8.8
Scotland	7.3	7.5
North East	3.9	3.9
Wales	3.7	3.6
Northern Ireland	2.7	2.7
Spain	0.1	0.1
Total net exposure	100.0	100.0

Collateral

Retail mortgages are all fully secured on residential property. Collateral values are assessed at the point of origination and in line with our lending policy. We require collateral to be valued by an appropriately qualified method, independent of both the credit decisioning team and the customer, at the time of borrowing. This includes the selected use of automated valuation models. These models are developed on market data and usage is subject to accuracy and criteria thresholds.

One of the key indicators of the credit risk associated with a mortgage book is the relationship between the amount of the loan and the value of the underlying security, which is known as the loan to value (LTV) percentage. In general, the lower the LTV, the greater the equity within the property and therefore lower losses are expected to be realised in the event of default and subsequent repossession.

Our lending policy limits owner occupier applications to a maximum LTV of 95%¹ and buy to let mortgages to a maximum LTV of 80%. Higher LTV lending is subject to enhanced underwriting criteria.

The indexed LTV analysis of our retail mortgage portfolio as at 31 December 2025 is as follows:

Audited	Group and Society 2025 £M	Group and Society 2025 %	Group and Society 2024 £M	Group and Society 2024 %
Less than 10%	218.8	0.8	213.7	0.9
10% to 20%	1,023.7	4.0	996.6	4.1
20% to 30%	2,438.7	9.4	2,322.4	9.5
30% to 40%	3,324.4	12.9	3,327.6	13.6
40% to 50%	3,874.3	15.0	3,968.8	16.2
50% to 60%	3,948.8	15.3	3,683.2	15.1
60% to 70%	3,888.5	15.0	3,424.3	14.0
70% to 80%	3,431.1	13.3	3,174.2	13.0
80% to 90%	2,648.0	10.2	2,424.2	9.9
90% to 100%	1,065.3	4.1	907.7	3.7
More than 100%	2.7	–	5.4	–
Total	25,864.3	100.0	24,448.1	100.0

As at 31 December 2025, the overall weighted average loan to value of the retail mortgage portfolio was 54.9% (2024: 54.2%). The weighted average loan to value of new lending in 2025 was 66.8% (2024: 66.8%).

Retail credit performance

Overview

As a responsible lender, the Society has continued to invest in our capabilities and capacity to support members in financial difficulties. We closely monitor affordability pressures arising from cost of living challenges and higher interest rates, to ensure customers are treated fairly and receive good outcomes.

The Society proactively contacts mortgage customers who have or will be coming to the end of their initial fixed rate mortgage product period, and who may experience increases in their mortgage rates. If customers do experience financial difficulties, contact is made upon a missed direct debit (pre-arrears) as well as following missed payments (arrears). Where appropriate, customers are offered forbearance options, tailored to their circumstances. Forbearance typically consists of modifications to previous conditions of a contract or a total or partial refinancing of debt, either of which would not have been required had the customer not been experiencing financial difficulties.

Arrears performance

The following table sets out information about the credit quality of our retail mortgages as at 31 December 2025.

Classification into low, medium or high-risk bandings is based on internal rating grades, which approximately translate into the regulatory Internal Ratings-Based (IRB) approach Probability of Default shown in the table. An explanation of the classification is detailed below, with further information provided in note 1(e) of the accounts.

- Stage 1 – assets are allocated to this stage on initial recognition and remain in this stage if there has not been a significant increase in credit risk since initial recognition.
- Stage 2 – assets where it is determined that there has been a significant increase in credit risk since initial recognition, but where there is no objective evidence of impairment.
- Stage 3 – assets where there is objective evidence of impairment, i.e. they are considered to be in default or in the cure period following default.

1 Excluding the Colleague Mortgage Scheme.

Principal Risks continued

Retail mortgages - Unaudited Group and Society 2025		Stage 1 €M	Stage 2 €M	Stage 3 €M	Total €M
Low	IRB PD <2.02%	20,648.0	3,078.7	22.2	23,748.9
Medium	IRB PD ≥2.02% and <25.97%	861.4	816.8	27.1	1,705.3
High	IRB PD ≥25.97%	9.2	167.0	233.9	410.1
Total gross exposure		21,518.6	4,062.5	283.2	25,864.3
Impairment loss provision		(5.3)	(23.4)	(14.7)	(43.4)
Net exposure		21,513.3	4,039.1	268.5	25,820.9

Loan commitments Group and Society 2025		Stage 1 €M	Stage 2 €M	Stage 3 €M	Total €M
Low	IRB PD <2.02%	1,218.4	–	–	1,218.4
Medium	IRB PD ≥2.02% and <25.97%	23.0	–	–	23.0
High	IRB PD ≥25.97%	0.9	–	–	0.9
Total gross exposure		1,242.3	–	–	1,242.3
Impairment loss provision		(0.3)	–	–	(0.3)
Net exposure		1,242.0	–	–	1,242.0

Retail mortgages - Unaudited Group and Society 2024		Stage 1 €M	Stage 2 €M	Stage 3 €M	Total €M
Low	IRB PD <2.02%	19,080.2	3,323.7	26.7	22,430.6
Medium	IRB PD ≥2.02% and <25.97%	578.3	999.6	36.3	1,614.2
High	IRB PD ≥25.97%	15.5	158.0	229.8	403.3
Total gross exposure		19,674.0	4,481.3	292.8	24,448.1
Impairment loss provision		(7.9)	(23.3)	(13.9)	(45.1)
Net exposure		19,666.1	4,458.0	278.9	24,403.0

Loan commitments Group and Society 2024		Stage 1 €M	Stage 2 €M	Stage 3 €M	Total €M
Low	IRB PD <2.02%	1,610.5	–	–	1,610.5
Medium	IRB PD ≥2.02% and <25.97%	29.4	–	–	29.4
High	IRB PD ≥25.97%	0.7	–	–	0.7
Total gross exposure		1,640.6	–	–	1,640.6
Impairment loss provision		(0.3)	–	–	(0.3)
Net exposure		1,640.3	–	–	1,640.3

The table below provides further information on our retail mortgages by payment status as at 31 December 2025². Overall, past due balances as a percentage of the portfolio have remained broadly stable. The table includes €7.1 million (2024: €8.6 million) of loans and advances secured on residential property in Spain that are past due. At 31 December 2025 €0.2 million of Spanish properties were in possession (2024: €0.5 million).

	Group and Society 2025 €M	Group and Society 2025 %	Group and Society 2024 €M	Group and Society 2024 %
Audited				
Not past due	25,551.8	98.8	24,145.3	98.7
Past due up to 3 months	170.0	0.7	160.4	0.7
Past due 3 to 6 months	60.4	0.2	58.6	0.2
Past due 6 to 12 months	42.3	0.2	45.9	0.2
Past due over 12 months	27.9	0.1	24.4	0.1
Possessions	11.9	–	13.5	0.1
Total gross exposure	25,864.3	100.0	24,448.1	100.0

² Excludes impairment loss provisions

Forbearance

The table below provides information on loans existing at 31 December 2025, which have had their terms renegotiated in the last 24 months, regardless of whether the renegotiation is still in place or whether the loan has reverted to its original terms.

Audited Group and Society 2025	Capitalisation €M	Transfer to interest only €M	Term extension €M	Hardship products €M	Other payment arrangements €M	Total forbearance €M
Not past due	3.2	1.1	5.1	3.0	0.8	13.2
Past due up to 3 months	13.5	5.4	14.8	16.2	2.5	52.4
Past due over 3 months	3.7	2.4	2.5	23.5	5.1	37.2
Total forbearance	20.4	8.9	22.4	42.7	8.4	102.8

Audited Group and Society 2024	Capitalisation €M	Transfer to interest only €M	Term extension €M	Hardship products €M	Other payment arrangements €M	Total forbearance €M
Not past due	6.0	7.5	34.3	9.0	13.1	69.9
Past due up to 3 months	2.4	3.7	4.6	6.8	2.5	20.0
Past due over 3 months	5.3	3.1	1.9	21.8	7.7	39.8
Total forbearance	13.7	14.3	40.8	37.6	23.3	129.7

The level of loans reported as in forbearance has seen an overall decrease during 2025, reflecting broadly stable arrears and despite an increase in the appropriate use of capitalisations following regulatory changes in late 2024.

Retail credit risk outlook

While borrowers have so far remained resilient to affordability pressures, emerging macroeconomic and geopolitical risks may result in more members facing financial difficulty in future. Our central forecast is for rising unemployment and modest house price growth; both of which are fundamental to the emergence of credit risks and asset quality. We will closely monitor external conditions and early warning indicators to ensure that our limits, policies and deployment of appetite remain appropriate to support our purpose.

As part of supporting the UK government's growth agenda, the PRA relaxed macroprudential regulation and the FCA published a discussion paper on the future of the UK mortgage market during the second half of 2025. The Society will continue to closely monitor developments in this area and carefully consider how this will be reflected in our lending policy/criteria on an ongoing basis.

1.2 Wholesale credit risk

We have low appetite for wholesale credit risk, with exposures restricted to high quality counterparties with a low risk of default.

Managing and monitoring wholesale credit risk

We apply a range of controls and procedures to identify, mitigate and monitor wholesale credit risk:

- A Board defined appetite is approved at least annually, supported by the Wholesale Credit policy, limit frameworks and management reporting.
- The performance of the wholesale credit portfolio versus appetite and policy is monitored daily, by a dedicated first line team. This is overseen by both the second and third lines of defence through their monitoring and assurance activities.
- ALCO is the Society's primary committee for overseeing the management of wholesale credit risk. Performance against risk appetite is also reported through to BRC.
- Our monitoring processes and governance protocols ensure timely escalation to senior management if there is a perceived deterioration in credit quality of a counterparty.
- All counterparty credit lines are formally reviewed at least annually, based on internal analysis, credit default swap spreads, geographic location, ESG posture and other market intelligence.
- Daily exchange of collateral and other netting arrangements is in place for our derivative exposures.

Wholesale credit risk profile

Credit ratings

Our liquidity portfolio is comprised of cash reserves at the Bank of England, loans and advances to credit institutions and investment securities. An assessment of the wholesale credit profile of the liquidity portfolio, based upon external credit ratings³, is outlined in the table below. As at 31 December 2025, 100% of the portfolio was rated as A- or above (2024: 100%).

Audited Group 2025	Aaa €M	Aa1–Aa3 €M	A1–A3 €M	Unrated €M	Total €M
Cash in hand and balances with the Bank of England	–	1,413.4	–	–	1,413.4
Loans and advances to credit institutions	–	6.1	109.1	–	115.2
Investment securities					
UK government securities	–	1,586.2	–	–	1,586.2
Government agency debt	309.7	–	–	–	309.7
Supranational bonds	871.9	–	–	–	871.9
Covered bonds	696.7	–	–	–	696.7
Residential mortgage backed securities	457.4	–	–	–	457.4
Certificates of deposit	–	–	–	–	–
Total liquid assets	2,335.7	3,005.7	109.1	–	5,450.5
	42.9%	55.1%	2.0%	–	100.0%

Audited Group 2024	Aaa €M	Aa1–Aa3 €M	A1–A3 €M	Unrated €M	Total €M
Cash in hand and balances with the Bank of England	–	2,443.2	–	–	2,443.2
Loans and advances to credit institutions	–	15.1	137.2	–	152.3
Investment securities					
UK government securities	–	1,935.4	–	–	1,935.4
Government agency debt	217.5	–	–	–	217.5
Supranational bonds	536.2	–	–	–	536.2
Covered bonds	612.9	–	10.5	–	623.4
Residential mortgage backed securities	637.5	–	–	–	637.5
Certificates of deposit	–	–	–	–	–
Total liquid assets	2,004.1	4,393.7	147.7	–	6,545.5
	30.6%	67.1%	2.3%	–	100.0%

Geographic concentration

Our liquidity portfolio continues to be invested predominantly within the UK. The geographical location of the portfolio as at 31 December 2025 is outlined below:

Audited	Group 2025 €M	Group 2025 %	Group 2024 €M	Group 2024 %
United Kingdom	3,968.8	72.8	5,514.0	84.2
Germany	309.7	5.7	194.0	3.0
Canada	130.0	2.4	206.6	3.2
Australia	170.0	3.1	94.7	1.4
Global Supranational	609.0	11.2	355.3	5.4
European Supranational	159.3	2.9	116.1	1.8
Asian Supranational	103.7	1.9	64.8	1.0
Total liquid assets	5,450.5	100.0	6,545.5	100.0

³ The lower of either Fitch or Moody's.

Wholesale credit impairments

Our accounting policy for the calculation of impairment on wholesale assets is detailed in Note 1(e) of the financial statements. All assets were classified as at Stage 1 throughout the reporting period, and as such, no impairment loss provision is considered necessary for these assets.

Collateral

The nature of a wholesale asset or liability determines the level of collateral required. Loans and debt securities are generally unsecured except for asset backed securities, which are secured by a collection of financial assets.

The Society centrally clears all eligible derivatives classes through indirect membership with a central counterparty clearing house (CCP). Cleared derivative instruments will only be transacted with counterparties with a Cleared Derivative Execution Agreement (CDEA) or Accession Agreement (AA) in place. Derivatives that cannot be cleared via a CCP are managed bilaterally under the terms of industry standard International Swaps and Derivatives Association (ISDA) Master Agreements and Credit Support Annexes (CSA).

Under these arrangements, collateral is exchanged between the counterparties of the transaction to mitigate some of the counterparty credit risk inherent in outstanding derivative positions.

The table below shows the net exposure after reflecting the impact of netting arrangements and collateral:

Audited Group 2025	Gross amounts ⁴ £M	Master netting agreements £M	Cash collateral £M	Net amount £M
Financial assets				
Derivative financial instruments	129.5	(111.3)	(39.7)	(21.5)
Financial liabilities				
Derivative financial instruments	119.9	(111.3)	(13.2)	(4.6)
Society 2025				
Financial assets				
Derivative financial instruments	129.5	(111.3)	(39.7)	(21.5)
Financial liabilities				
Derivative financial instruments	130.7	(111.3)	(17.0)	2.4
Audited Group 2024				
Financial assets				
Derivative financial instruments	371.1	(90.8)	(310.7)	(30.4)
Financial liabilities				
Derivative financial instruments	98.0	(90.8)	(5.7)	1.5
Society 2024				
Financial assets				
Derivative financial instruments	371.1	(90.8)	(310.7)	(30.4)
Financial liabilities				
Derivative financial instruments	117.2	(90.8)	(11.8)	14.6

For derivative financial assets, collateral received is in the form of cash. Where cash is received it is included as a liability within Other Liabilities on the Statement of Financial Position.

For derivative financial liabilities, collateral paid is in the form of cash and is included as an asset in Other Assets.

We also enter into repurchase agreements (repos) with counterparties with whom we have both a Global Master Repurchase Agreement (GMRA) and an active credit line in place. The credit risk that arises from such transactions is managed under the terms of the GMRA, through the monitoring and appropriate transfer of collateral.

⁴ As reported on the Statement of Financial Position.

Wholesale credit risk outlook

Due to ongoing macroeconomic uncertainties and geopolitical risks discussed on page 38, we will continue to closely monitor the performance of the wholesale portfolio and ensure that our investment strategy and credit risk profile remain suitable.

2. Funding and liquidity risk

Definition

The risk of insufficient funds to meet obligations as they fall due or the inability to access funding at a reasonable cost.

Sources of funding and liquidity risk

The Society raises funding through two sources: retail savings deposits from our members and investments from wholesale counterparties. Funding risk predominately arises from an inadequately diversified funding strategy. This could result in a loss of customer or investor confidence and inhibit our ability to refinance or raise new funding, or only at an excessive cost.

Our main source of liquidity risk relates to the ability of members to withdraw retail deposits at little or no notice. All potential sources of liquidity risk are assessed under severe but plausible stress scenarios as part of our annual ILAAP process, with outputs used to inform our liquidity risk appetite and determine a minimum level of on and off balance sheet liquidity.

Managing and monitoring funding and liquidity risk

We apply a range of controls and procedures to identify, mitigate and monitor funding and liquidity risk:

- A Board defined appetite is approved at least annually, supported by the Funding and Liquidity policy, limit frameworks and management reporting.
- Our liquidity position is monitored daily by a dedicated first line team. This is overseen by both the second and third lines of defence through their monitoring and assurance activities.
- ALCO is the Society's primary committee for overseeing the management of funding and liquidity risks. Performance against risk appetite is also reported through to BRC.
- An ILAAP assessment is conducted at least annually, to determine the level of liquidity resources required under stressed conditions.
- A portfolio of high quality liquid assets is maintained and regularly tested.
- Access to central bank funding is maintained and regularly tested, through prepositioned collateral.
- Stress testing and sensitivity analysis is conducted frequently to understand the impact of severe, but plausible scenarios and to inform pre-emptive actions.
- A Recovery Plan, including a trigger and alert framework, is maintained to identify the emergence of a stress and actions to respond accordingly.

2025 liquidity position

Our Liquidity Strategy and limit structure ensures that the liquidity portfolio remains appropriately diversified across various instruments and durations. As at 31 December 2025, our liquidity portfolio mainly consisted of cash held at the Bank of England, UK government securities and other high quality assets.

Levels of on balance sheet liquidity decreased during the year, following our repayment of drawings from the BoE's TFSME. Notwithstanding this, we continue to report a strong liquidity position and as at 31 December 2025, our LCR was 196.7% (31 December 2024: 183.0%), which was significantly above minimum regulatory requirements (100%). In addition, we also continued to retain significant levels of off balance sheet liquidity capacity.

Audited	Group and Society 2025 £M	Group and Society 2024 £M
Cash in hand and balances with the Bank of England	1,413.4	2,443.2
UK government securities	1,561.2	1,861.2
Other qualifying securities	2,335.8	2,004.3
High quality liquid assets	5,310.4	6,308.7
Other on balance sheet securities	140.1	236.8
Total	5,450.5	6,545.5

2025 funding risk position

As a mutual organisation, we are predominantly funded through retail funding. As at 31 December 2025, 88.5% (2024: 84.4%) of our shares, deposits and liabilities (SDLs) were categorised as retail funding, consisting of a mix of variable rate products, fixed rate bonds and ISAs.

We also raise funding via capital markets, through a well-established wholesale franchise and access to central bank funding facilities. Our Funding Plan and limit structure ensures that the wholesale funding portfolio remains appropriately diversified across various instruments, durations and investor types.

As at 31 December 2025, total wholesale funding stood at £3.4 billion (2024: £4.5 billion), representing 11.5% of total funding.

We raised £1.2 billion in wholesale funding during 2025, through senior non-preferred (£0.3 billion), covered bond (£0.5 billion), and Albion No.7 RMBS (£0.4 billion) issuances. We also repaid all our outstanding drawings from the BoE's TFSME scheme.

As at 31 December 2025 100% of our wholesale funding portfolio was denominated in sterling.

Audited	Group 2025 £M	Group 2025 %	Group 2024 £M	Group 2024 %
Deposits from banks	0.5	–	14.2	0.3
Amounts drawn under Bank of England ILTR facility	–	–	1,230.0	27.1
Other deposits and amounts owed to other customers	138.8	4.1	159.3	3.5
Debt securities in issue:				
Certificates of deposit	85.0	2.5	60.3	1.3
Senior unsecured debts	334.4	9.9	319.3	7.0
Covered bonds	2,009.8	59.6	2,116.0	46.8
Residential mortgage backed securities	808.4	23.9	636.1	14.0
Total	3,376.9	100.0	4,535.2	100.0

The expected maturity profile of our wholesale funding portfolio is outlined below, based on the earlier of the first call date or the contractual maturity date. The concentration of maturities less than one year has reduced materially following the refinancing of TFSME drawings during 2025.

Audited	Group 2025 £M	Group 2025 %	Group 2024 £M	Group 2024 %
Less than one year	725.2	21.5	2,069.2	45.6
One to two years	837.1	24.8	502.1	11.1
Two to five years	1,814.6	53.7	1,963.9	43.3
Total	3,376.9	100.0	4,535.2	100.0

The stability of our overall funding position is assessed through the Net Stable Funding Ratio (NSFR). As at 31 December 2025, our NSFR ratio stood at 150.8% (2024: 147.8%), which is significantly above the regulatory minimum of 100%.

Principal Risks continued

Maturity profile of financial assets and liabilities

The table below analyses our financial assets and liabilities based on the remaining period between 31 December 2025 and the contractual maturity date. In practice, the contractual maturity can differ to actual repayments, whereby customers' behaviours result in liabilities being held for longer than their contractual maturities and assets repaid earlier or vice versa.

During 2025, contractual liquidity gap mismatches changed in response to balance sheet growth and the structure of the retail savings book.

Audited Group 2025	Repayable on demand £M	Less than 3 months £M	3 to 12 months £M	1 to 5 years £M	More than 5 years £M	Total £M
Financial assets						
Cash in hand and balances with the Bank of England	1,413.4	–	–	–	–	1,413.4
Loans and advances to credit institutions	115.2	–	–	–	–	115.2
Investment securities	–	743.1	232.2	2,026.2	920.4	3,921.9
Derivative financial instruments	–	4.9	26.0	87.7	10.9	129.5
Loans and advances to customers						
Loans fully secured on residential property	5.1	17.7	42.4	785.6	25,045.3	25,896.1
Other loans	–	–	–	–	141.9	141.9
Other assets, prepayments and accrued income	–	215.1	(0.9)	4.2	13.4	231.8
Total financial assets	1,533.7	980.8	299.7	2,903.7	26,131.9	31,849.8
Financial liabilities						
Shares	11,144.5	3,817.8	6,795.0	4,288.2	36.1	26,081.6
Derivative financial instruments	–	1.0	8.8	101.7	8.4	119.9
Amounts owed to credit institutions	–	–	0.5	–	–	0.5
Amounts owed to other customers	6.8	71.6	60.4	–	–	138.8
Debt securities in issue	–	85.0	500.9	2,651.7	–	3,237.6
Other liabilities and accruals	–	2.5	21.5	12.9	6.5	43.4
Subordinated liabilities	–	126.8	–	311.3	–	438.1
Subscribed capital	–	–	–	8.0	–	8.0
Total financial liabilities	11,151.3	4,104.7	7,387.1	7,373.8	51.0	30,067.9
Net liquidity gap	(9,617.6)	(3,123.9)	(7,087.4)	(4,470.1)	26,080.9	1,781.9

Audited Group 2024	Repayable on demand €M	Less than 3 months €M	3 to 12 months €M	1 to 5 years €M	More than 5 years €M	Total €M
Financial assets						
Cash in hand and balances with the Bank of England	2,443.2	–	–	–	–	2,443.2
Loans and advances to credit institutions	152.3	–	–	–	–	152.3
Investment securities	–	612.9	1,076.1	1,363.9	897.1	3,950.0
Derivative financial instruments	–	2.5	26.5	311.9	30.2	371.1
Loans and advances to customers						
Loans fully secured on residential property	8.9	17.5	32.5	549.9	23,620.8	24,229.6
Other loans	–	–	–	–	147.8	147.8
Other assets, prepayments and accrued income	–	209.7	–	6.0	5.7	221.4
Total financial assets	2,604.4	842.6	1,135.1	2,231.7	24,701.6	31,515.4
Financial liabilities						
Shares	9,047.0	3,574.0	7,168.4	4,733.4	15.8	24,538.6
Derivative financial instruments	–	2.4	10.9	75.0	9.7	98.0
Amounts owed to credit institutions	–	14.2	1,230.0	–	–	1,244.2
Amounts owed to other customers	8.7	82.7	66.5	1.4	–	159.3
Debt securities in issue	–	657.0	10.1	2,464.6	–	3,131.7
Other liabilities and accruals	–	1.0	23.7	268.3	23.7	316.7
Subordinated liabilities	–	–	–	334.2	–	334.2
Subscribed capital	–	–	–	8.0	–	8.0
Total financial liabilities	9,055.7	4,331.3	8,509.6	7,884.9	49.2	29,830.7
Net liquidity gap	(6,451.3)	(3,488.7)	(7,374.5)	(5,653.2)	24,652.4	1,684.7

The following tables detail the remaining undiscounted contractual cash flows for our non-derivative financial liabilities including interest, which will be accrued to those instruments, except where we are entitled and intend to repay the liabilities before their maturity.

Audited Group 2025	Repayable on demand €M	Less than 3 months €M	3 to 12 months €M	1 to 5 years €M	More than 5 years €M	Total €M
Shares	11,144.5	3,835.7	6,974.8	4,596.1	42.9	26,594.0
Amounts owed to credit institutions	–	–	0.5	–	–	0.5
Amounts owed to other customers	6.8	71.8	61.4	–	–	140.0
Debt securities in issue	–	85.1	517.2	3,006.6	–	3,608.9
Subordinated liabilities	–	136.0	8.3	369.0	–	513.3
Subscribed capital	–	–	0.3	8.8	–	9.1
Total financial liabilities	11,151.3	4,128.6	7,562.5	7,980.5	42.9	30,865.8
Group 2024	Repayable on demand €M	Less than 3 months €M	3 to 12 months €M	1 to 5 years €M	More than 5 years €M	Total €M
Shares	9,047.0	3,591.4	7,369.2	5,041.8	18.8	25,068.2
Amounts owed to credit institutions	–	–	1,279.4	–	–	1,279.4
Amounts owed to other customers	8.7	83.1	67.8	1.4	–	161.0
Debt securities in issue	–	657.5	10.2	2,799.6	–	3,467.3
Subordinated liabilities	–	2.6	2.6	342.2	–	347.4
Subscribed capital	–	–	0.3	9.1	–	9.4
Total financial liabilities	9,055.7	4,334.6	8,729.5	8,194.1	18.8	30,332.7

Principal Risks continued

The following table details the contractual maturity for our derivative financial instruments. The table is based on the undiscounted net cash inflows/(outflows) on the derivative instruments, which settle on a net basis, and the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the conditions existing at the reporting date.

Audited Group 2025	Less than 3 months €M	3 to 12 months €M	1 to 5 years €M	More than 5 years €M	Total €M
Swap contracts	52.9	148.4	(179.7)	(23.9)	(2.3)
Group 2024	Less than 3 months €M	3 to 12 months €M	1 to 5 years €M	More than 5 years €M	Total €M
Swap contracts	47.8	151.0	213.4	4.7	416.9

Encumbrance

Asset encumbrance arises where certain assets are pledged as collateral to secure funding or facilitate central bank operations. The main sources of our encumbered assets are mortgages, used to collateralise our covered bond and securitisation programmes and participation in the BoE's central bank funding schemes. We have established an appropriate limit to ensure that sufficient collateral is maintained to support current and future funding requirements under normal and stressed market conditions.

Asset encumbrance as at 31 December 2025 is set out in the table below. Encumbered assets fell during the year, as the Society repaid its outstanding TFSME drawings.

Audited	Encumbered €M	Unencumbered €M	Total €M
Cash and balances with the Bank of England	–	1,413.4	1,413.4
Loans and advances to credit institutions	–	115.2	115.2
Investment securities	24.7	3,897.2	3,921.9
Loans and advances to customers	3,702.2	22,260.3	25,962.5
Derivative financial instruments	–	129.5	129.5
Other assets	407.2	12.7	419.9
Total as at 31 December 2025	4,134.1	27,828.3	31,962.4
Total as at 31 December 2024	7,253.7	24,358.9	31,612.6

External credit ratings

We maintain secure credit ratings from two key rating agencies, reflecting our strong capital base, sustainable profitability and robust funding positions.

	Long term	Short term	Outlook
Moody's	A3	P-2	Stable
Fitch	A-	F1	Stable

Funding and liquidity risk outlook

The Society's central view is that funding markets will remain supportive during 2026, but several uncertainties persist, which could influence the delivery of our funding plan. This includes geopolitical and macroeconomic risks, contagion within financial markets and increased competition for retail savings balances.

The Society carries strong levels of liquidity into 2026 and will continue to monitor developments closely.

3. Market risk

Definition

The risk that movements in interest rates or foreign currency adversely impact our capital and earnings.

Sources of market risk

The primary form of market risk that we face is interest rate risk, whereby our net interest income and value of assets and liabilities are exposed to movements in interest rates. The main sources of our interest rate exposures relate to the duration repricing mismatch between assets and liabilities, basis risk from linkage of assets and liabilities to different reference rates and product optionality. Our interest rate exposures all arise from the banking book as we do not operate a trading book.

We also have foreign currency risk exposures from a legacy residential mortgage portfolio in Spain. Our market risk policy does not permit any speculative foreign exchange positions.

Managing and monitoring market risk

We apply a range of controls and procedures to identify, mitigate and monitor market risk:

- A Board defined appetite is approved at least annually, supported by the market risk policy, limit frameworks and management reporting.
- Our market risk exposures are monitored daily by a dedicated first line team. This is overseen by both the second and third lines of defence through their monitoring and assurance activities.
- ALCO is the Society's primary committee for overseeing the management of market risks. Performance against risk appetite is also reported through to BRC.
- Market risk positions are managed by the offsetting of assets and liabilities and use of derivatives. Derivatives are used to hedge market risk exposures, where a natural hedge is not feasible.
- Structural hedging is also used to stabilise earnings arising from our reserves and some of our other interest rate insensitive liabilities, with limits in place to determine the size, duration and construct of the hedges in line with the Board's appetite to deliver a stable earnings profile.
- Stress testing and sensitivity analysis is conducted frequently to understand the impacts of movements in interest and foreign exchange rates on value and income.

2025 market risk position

Key developments in relation to market risk during 2025 were as follows:

- As inflationary pressures continued to ease, the BoE made further reductions in interest rates, from 4.75% to 3.75%, during 2025.
- Throughout the year, we maintained a structured and disciplined approach to market risk management, ensuring that exposures were identified, measured, and managed in line with the risk appetite established by the Board. We provided close oversight of our market risk exposures and product offerings, making strategic adjustments to our balance sheet structure in response to changing external conditions.
- Additionally, we conducted regular stress testing and sensitivity analysis to assess potential impacts under various interest rate scenarios.

Principal Risks continued

Interest rate exposures

We assess potential interest rate impacts on our earnings and the value of our assets and liabilities through stress testing and sensitivity analysis.

From an earnings perspective, we measure the potential impact on our net interest income under various interest rate paths. The key assumptions used in this modelling are as follows:

- A constant balance sheet is assumed with all assets and liabilities maturing during the year being reinvested in like for like products and a constant average spread.
- Scenarios are applied to the prevailing interest rates at the reporting date.
- The sensitivities do not take account of any management actions.

In addition, we monitor the impact of various parallel and non-parallel rate shocks to the value of our assets and liabilities. The key assumptions used in this modelling are as follows:

- The balance sheet at the report date is run off over its remaining expected duration.
- Downward shocks allow the yield curve to go negative subject to a floor.
- The effect of external hedging is included.
- The non-interest rate sensitive impacts from commercial margins are excluded.
- Behavioural modelling is used to estimate the extent to which customers use options contained in retail products, specifically part or full prepayment of fixed rate mortgages.
- Our reserves and core stable savings balances are allocated in line with Board approved limits.

The following table outlines the impacts against a range of value and earnings-based assessments. At 31 December 2025, our balance sheet remained positioned so that net interest income would benefit from rising interest rates.

Audited Group	+200bps 2025 €M	+200bps 2024 €M	-200bps 2025 €M	-200bps 2024 €M
Annual earnings impact	11.5	11.7	(10.8)	(8.3)
Market value economic value (including capital)	(5.0)	(50.1)	4.6	53.0

Foreign exchange exposures

The carrying amount of our foreign currency denominated monetary assets and monetary liabilities at the reporting date is outlined in the table below:

Audited Group	Assets 2025 €M	Assets 2024 €M	Liabilities 2025 €M	Liabilities 2024 €M
Euro	31.4	39.6	35.8	43.9

At 31 December 2025, we had hedges in place to match 100% of our foreign currency exposures, via the use of cross currency swaps, which offset the impact of foreign exchange fluctuations. Therefore, any movements in foreign currency through profit or loss and other equity are minimised. As at 31 December 2025, a 10% movement in the sterling/euro exchange rate would result in a movement of €0.4 million (2024: €0.4 million) in profit or loss or other equity.

Market risk outlook

Financial markets remain susceptible to volatility during 2026, reflective of the Society's emerging profile outlined on pages 37 to 40.

We will continue to monitor developments in the macroeconomy and financial markets, the competitive landscape and changes in customer behaviour and proactively manage our balance sheet to ensure that future earnings and value are protected.

4. Capital risk

Definition

The risk that the Society has insufficient quality or quantity of capital resources to meet current or future regulatory and business requirements.

Sources of capital risk

Capital risk is where we have insufficient capital resources to support strategic objectives and plans or regulatory requirements. This could arise due to a depletion of our capital resources as a result of risk crystallisation, through a significant increase in risk weighted assets because of regulatory changes or economic deterioration, or increases in minimum regulatory requirements, such as the countercyclical capital buffer.

Managing and monitoring capital risk

We apply a range of controls and procedures to identify, mitigate and monitor capital risk:

- A Board defined appetite is approved at least annually, supported by the Capital policy and Capital Plan, limit frameworks and management reporting.
- We have a dedicated first line team responsible for managing and monitoring our capital position. This is overseen by both the second and third lines of defence through their monitoring and assurance activities.
- ALCO is the Society's primary committee for overseeing the management of capital risk. Performance against risk appetite is also reported through to BRC.
- Capital planning is integrated into our wider strategic and financial planning processes to assess our capital position on a forward looking basis. This provides discipline over lending volumes and returns to ensure adequate capital generation to support a sustainable capital position.
- An ICAAP is conducted at least annually, to assess the level of capital required to support current and future business activities.
- Stress testing and sensitivity analysis is conducted to understand the impact on the Society's capital position, under a range of severe scenarios.
- A Recovery Plan is maintained, including actions to generate/preserve capital in response to a severe stress.

2025 performance

Key developments in relation to capital risk during 2025 were as follows:

- We maintained significant headroom above minimum regulatory capital requirements throughout 2025.
- During 2025, the PRA published several proposed changes to the UK capital regime. The Society has reviewed these policy statements and has considered impacts as part of capital planning, alongside the impact of forthcoming changes to capital rules as part of the UK's implementation of final Basel 3.1 standards, applicable from January 2027.
- In late December, the BoE revised the Society's preferred resolution strategy from bail-in to transfer. The Society is currently reviewing the implications of this change on the Society's capital strategy.
- Alongside these publications, the PRA published DP1/25, setting out a range of possible policy changes to the treatment of residential mortgage exposure under IRB, and the FPC has undertaken a review of the level of capitalisation within the UK banking system. Both publications are designed to optimise capital and increase competition amongst market participants. The Society is monitoring developments closely.

Principal Risks continued

Capital position

The following table provides a summary of our capital position as at 31 December 2025. More detailed disclosures can be found in the Pillar 3 disclosures available on our website.

Unaudited	2025 €M	2024 €M
Capital resources		
Common Equity Tier 1 (CET1) capital	1,720.5	1,584.9
Total Tier 1 capital	1,720.5	1,584.9
Tier 2 capital	10.5	10.1
Total regulatory capital resources	1,731.0	1,595.0
Senior non preferred notes	429.0	351.1
Total MREL eligible resources	2,160.0	1,946.1
Risk weighted assets (RWAs)	6,735.3	6,171.0
CRD V capital ratios	%	%
CET1 ratio	25.5	25.7
Total capital ratio	25.7	25.9
Total MREL ratio	32.1	31.5
UK leverage ratio	5.7	5.5

Both CET1 and Total Capital ratios have reduced in the 12 months to 31 December 2025 primarily reflecting an increase in risk weighted assets driven by the changing maturity profile of the mortgage portfolio and marginally higher loan to value lending against modest house price growth. This was partly offset by higher capital resources following the recognition of full year profits.

Capital risk outlook

The BoE confirmed in late 2025 from 1 January 2026 the preferred resolution strategy for the Society has changed from bail-in to transfer. This change reduces MREL requirements for the Society from 2x Total Capital Requirement (TCR) to 1x TCR. Further details are included within our 2025 Pillar 3 disclosure.

During 2026, the Society will continue to progress activity to implement revised Basel 3.1 rules ahead of the 1 January 2027 implementation date.

The Society will closely consider the implications on our longer-term strategy of the changes to the MREL regime, implementation of Basel 3.1, revisions to our IRB models and the FPC recommendations on the capitalisation of the UK banking system.

We will continue to closely monitor the key emerging risks discussed on pages 37 to 40, and any capital implications, to ensure that our Capital Strategy adapts appropriately.

5. Model risk

Definition

The risk of adverse consequences from model errors or the inappropriate use of modelled outputs.

Sources of model risk

Models are inherently uncertain as they are imperfect representations of the real world, based upon a set of assumptions and theoretical methodologies, which may not translate into an accurate future outcome.

We use models across a broad range of business activities, including informing business decisions and strategies, determining capital and liquidity adequacy, provisioning, retail credit decisioning, risk measurement and stress testing.

We assess individual model risk using a materiality rating based on a quantitative approach that considers complexity, use, and impact. The materiality assessment determines the appropriate governance requirements for each model, including the model review frequency and validation requirements. Materiality ratings for each model are reviewed at least annually to ensure they remain representative of the risks associated with the model.

Managing and monitoring model risk

We apply a range of controls and procedures to identify, mitigate and monitor model risk:

- A Board defined appetite is approved at least annually, supported by a Model Risk policy and standards, which set our minimum requirements in relation to model documentation, development, implementation, validation and change.
- A model inventory serves as a central repository for essential model artefacts.
- A materiality assessment is conducted on all models within the model inventory.
- Model owners represent the first line of defence for monitoring and managing model risk, with oversight provided through second line independent model validation and third line assurance activity.
- The Models and Rating System Committee (MRSC) is our primary body for overseeing model risk. Material model risk issues and performance versus appetite are reported to through to BRC.
- Model owner reviews are submitted through governance on a cyclical basis, in line with model materiality ratings.
- Models are validated independently prior to implementation and on a cyclical basis, in line with model validation standards and materiality ratings.
- Regular model performance monitoring is conducted against defined tolerances, to identify where model redevelopment or calibration may be required.
- Controls around post model adjustments (PMAs) are in place to ensure they are appropriately governed and accurately applied.
- Annual attestations are completed by model owners to confirm that they have complied with the requirements of the Model Risk policy.

2025 performance

Key developments in relation to model risk during 2025 were as follows:

- During the year, the Society completed its inaugural self assessment against the requirements of PRA SS1/23: Model risk management principles for banks. Overall, the review concluded that our model risk policies and practices were aligned to regulation and highlighted planned areas of activity to further embed requirements across the business.
- The responsible adoption of artificial intelligence solutions across the organisation is an increasing area of focus. To support this process, the Society has developed a new AI policy to manage associated risks, which tend to be broader than those presented by more traditional models.
- Throughout 2025, the Society has continued to engage with the PRA regarding its submission of a revised suite of IRB models to address revised regulatory requirements.
- We continued to closely monitor the performance of our models to ensure they remained fit for purpose. Where appropriate, PMAs have been applied to capture risks and uncertainties in the prevailing environment.

Model risk outlook

We will continue to embed and refine our revised model risk management practices during 2026, in accordance with industry good practice, and the interlinkage with AI, as these tools are more widely adopted across the business.

As at year end the Society was awaiting feedback from the regulator regarding its revised IRB model suite. Upon receipt of this feedback the Society will determine appropriate next steps. During the interim period, PMAs will be maintained to ensure the existing model suite remain reflective of updated regulatory expectations. For further details, refer to our 2025 Pillar 3 disclosure, located on our website.

6. Operational risk

Definition

The risk of financial or reputational loss from inadequate or failed internal processes, people and systems or from external events. This incorporates resilience risk which is the inability to maintain important business services in response to unexpected or adverse events.

Sources of operational risk

The main drivers of operational risk are classified as follows:

- Operational resilience risk
- IT risk
- Information security (including cyber risk)
- Data risk
- People risk
- Change risk
- Financial crime risk
- Third party risk
- Legal and regulatory risk
- Financial reporting risk

Managing and monitoring operational risk

We apply a range of controls and procedures to identify, mitigate and monitor operational risk:

- A Board defined appetite is approved at least annually, supported by an appropriate suite of operational risk related policies.
- An Operational Risk Management Framework is maintained, outlining the process for identification, assessment, mitigation and monitoring of operational risks, incident management protocols and reporting operational losses.
- Day to day operational risk is managed by first line business functions. Oversight of first line activity is provided by both the second and third lines of defence through monitoring and assurance activity.
- Conduct and Operational Risk Committee (CORC) and Operational Resilience Committees (ORC) provide oversight of how operational risks are being managed across the organisation. Performance against appetite is reviewed through these committees and is also reported through to BRC.
- The control environment is validated by the first line through Risk and Control Self Assessments (RCSA), control testing and oversight procedures, including a dedicated Customer Risk & Assurance team, with oversight from the second and third lines of defence.
- An Operational Resilience Framework and testing programme is maintained, incorporating business continuity, Information Technology Risk, Information Security and Third Party Management, to ensure the provision of resilient services to our members.
- A financial crime strategy and policy are maintained, which are overseen by a dedicated Financial Crime Prevention team. The financial crime risk and control environment is formally assessed through the annual MLRO report to BRC.
- Stress testing is used as part of the ICAAP to ensure we retain sufficient capital for extreme, but plausible, operational risk events.
- The Society has developed a multi-year cyber strategy to further strengthen defences around our online and cloud services through consideration of zero-trust principles.
- We operate various people related frameworks to attract and retain people with the right skills and capabilities to deliver our purpose and to provide operational resilience.

2025 performance

Operational resilience risk

Our controls, to ensure that Important Business Services (IBS) can be maintained in the event of an incident, continue to operate effectively and have been enhanced through live testing. We have also enhanced the mapping of our IBS to better focus on the underlying infrastructure supporting the services and ensure these have appropriate resilience arrangements in place.

IT risk

Controls over the Society's technology estate continue to operate effectively. Focus on efficiency and effectiveness within IT teams has continued, delivering enhanced management of third party IT services and introducing new tools to support the management of IT systems for the benefit of colleagues and members. Delivery of our multi-year core systems programme, designed to enhance our capabilities to change at pace to deliver better outcomes sooner while being more responsive to external events, continued in 2025 with the launch of the pilot digital savings platform.

Information security risk

We continue to monitor the evolving threat landscape to ensure controls remain appropriately targeted. Our multi-year cyber strategy has advanced, further strengthening defences around our online and cloud services through consideration of zero-trust principles. In response to the persistent risk of supply chain attacks and ransomware, we have continued our focused assurance on third party integrations and foundational security controls.

Data risk

Throughout 2025, we continued to invest in capabilities to understand and manage our data. Building on the new infrastructure delivered previously, development has focused on supporting our multi-year core systems programme through migration of data flows onto the modern data platform, enhancing quality management and traceability.

People risk

We have developed our purposeful Colleague Value Proposition (CVP), 'It's better to belong', which clearly articulates the benefits of working at the Society. This underpins our activity to attract and retain people with the right skills and capabilities to deliver our purpose. We have continued to support colleagues to develop and thrive in their careers through a blend of learning resources accessible to all via our digital learning platform.

Following recent changes in the senior leadership team, there has been increased focus on succession planning. Succession planning assessments for all senior leadership roles are conducted quarterly, with regular updates to the Nominations Committee/Board to ensure there is a strong pipeline to provide leadership continuity, maintaining stability for the long term success of the Society.

Change risk

During 2025, the key focus of our change activities was on progression of the multi-year programme to replace our core banking platform. Regular reviews over the governance approach, to ensure it remains strong and appropriate, supported by oversight across all lines of defence, strengthened with external expertise, have been used to ensure the right change is delivered without disruption to Society services. Development to date has been successfully tested for a small number of colleague savings and mortgages accounts as part of the incremental, risk conscious, proving approach adopted by the Society.

Financial crime risk

The financial crime landscape remained heightened throughout 2025. In the industry account takeovers and Authorised Push Payment (APP) fraud continue to pose significant threats to members. In response, we continued to advance our control measures, including enhancing checks on outbound payments to further mitigate the risk of fraud-related losses. Additionally, we offered customers opportunities to attend fraud clinics to provide advice on how to be vigilant and recognise scams. We also provided colleagues with comprehensive training and educational resources to enhance their ability to protect themselves, the Society and our members against financial crime.

Principal Risks continued

Third party risk

Third parties continue to be key in the delivery of services to members, especially our increasing use of cloud technologies as we move towards migration of our core systems. Throughout the year we have continued to gain assurance that third parties remain capable of maintaining their services even in a stressed environment and that data shared with them is secure through regular due diligence activities.

Legal and regulatory risk

The volume, scale and complexity of regulatory change continued to shape our operating environment in 2025. We maintained robust processes to ensure relevant changes are identified and complied with during the year.

Operational risk outlook

In 2026, management will focus on maintaining an appropriate balance between progressing the delivery of our multi-year core systems programme, furthering our purposeful ambitions and change to ensure legal and regulatory compliance and ensuring that risks associated with these activities are mitigated appropriately. This will include ensuring we have the right skills and capabilities to support our change programme, including responding to uncertainties. Discretionary change will be carefully prioritised to maximise the benefits achieved and ensure focus can be maintained on the core migration programme.

Challenges and opportunities will continue to arise from AI enabled technologies. We will continue to take appropriate steps to safely benefit from efficiency and effectiveness gains from AI while ensuring that risks are understood and managed.

In line with changes to the Corporate Governance Code, we will introduce revised monitoring and testing of our 'material controls' as an extension to the current control environment processes, in preparation for the new reporting requirements in 2027.

7. Conduct risk

Definition

The risk that actual or potential customer detriment arises, or may arise, from the way the Society conducts its business.

Sources of conduct risk

Conduct risk can arise from how we carry out our business and will ultimately impact the outcomes customers receive. This can manifest from several key areas, including:

- Product and services
- Price and value
- Customer communications and understanding
- Customer support

Conduct risks can occur at any stage of the customer journey and risk assessments are carried out as part of our normal business processes, so we can understand, mitigate and monitor them. Where we recognise something has gone wrong, we carry out root cause analysis to reduce the chance of it happening again and ensure any customer detriment is appropriately redressed in a fair and transparent way.

Managing and monitoring conduct risk

We apply a range of controls and procedures to identify, mitigate and monitor conduct risk:

- A Board defined appetite is approved on at least an annual basis, supported by the Conduct Risk policy and frameworks.
- First line colleagues are responsible for managing potential conduct risks through their day to day activities. This is overseen by various teams across the three lines of defence, through their assurance activities.
- CORC is the Society's primary committee for overseeing the management of conduct risk. Performance against risk appetite is also reported through to BRC.
- A Product Governance framework is in place, which outlines how products are designed to meet customer needs, deliver fair value, and remain suitable for their target market through ongoing assessments.
- A Customer Understanding Framework is in place to ensure our communications and product literature provide the right information at the right time and are also clear and transparent.

- A Customer Support Framework ensures support is provided to meet customers' needs at the point of sale and throughout the product lifecycle, so that customers can use their products as reasonably anticipated and without unreasonable barriers to product changes, switching providers, or making a complaint. This is further supported by our vulnerability standards, which outline how we support customers with vulnerability characteristics.
- Customer-facing colleagues receive comprehensive training, with regular competency assessments, coaching, and ongoing development.
- Our Complaints Handling policy and supporting processes ensure complaints are addressed with empathy and sensitivity through a fair and transparent process.
- Ongoing monitoring is embedded within business processes, supported by MI reporting and trend analysis. Independent assurance reviews are conducted by the customer assurance team, Compliance and Internal Audit to assess the effectiveness of controls and frameworks. Findings are reported through governance committees, with actions tracked to completion.

2025 performance

- The Consumer Duty Annual Assessment, completed in July, confirmed that the Society continues to deliver good outcomes for the majority of customers.
- Product and services and price and value outcomes remain strong, supported by robust product level MI, fair value reviews, and governance committee oversight. Independent external reviews confirm strong alignment with regulatory expectations and industry peers.
- Customer support outcomes showed improvement during the year but still revealed pockets of inconsistency, especially in areas reliant on manual processes and colleague judgement. Management is actively addressing this with targeted plans, including embedding customer outcomes testing, optimising customer outcomes MI, focussing on customer support across operational areas and digital channels, and investment in our systems and processes through our multi-year core banking systems project.
- During the year, further enhancements have been made to controls to improve the customer journey for those reaching end of term on an interest only product, without a repayment strategy. Additionally, the launch of an online referral tool to Legal & General has provided customers with easier access to specialist advice where they require it.
- Elevated complaint volumes in the first half of the year were attributable to increased business activity and operational incidents. Complaint volumes reduced through the remainder of the year and complaint handling measures showed strong performance at year end. The current emphasis is on tackling root causes so that we can continue to improve our processes and provide excellent service and outcomes for our members.
- Several improvements have been implemented during the year to strengthen the identification and support for customers in vulnerable circumstances (CiVC), including colleague training and coaching, inclusion of CiVC data in product fair value assessments and embedding of dedicated CiVC support teams within customer service teams.

Conduct risk outlook

We remain committed to delivering fair outcomes for all customers, with a particular focus on those in vulnerable circumstances. Actions are in train to further enhance our CiVC processes, including improvements to the identification and logging of CiVC in intermediary and online savings journeys.

A new Outcomes MI framework has been endorsed and is now progressing towards implementation. This enhanced approach will deliver a more holistic and integrated view of outcome performance, further strengthening our ability to monitor and respond to customer outcomes indicators.

Our multi-year programme to replace our core banking platform is focused on safeguarding the delivery of good customer outcomes and implementing targeted product simplification. Maintaining a strong customer focus throughout the remaining build and migration phases will ensure consistently positive outcomes for customers.

8. Strategic/business risk

Definition

The risk that the Society fails to formulate or execute an appropriate strategy and business model in response to the external environment, threatening our longer-term viability.

Sources of strategic/business risk

The main sources of strategic/business risk arise from the following:

- Over or under diversification in our business model (geography, products, funding or exposures) inhibiting delivery of strategic objectives.
- Failure to develop and execute an appropriate strategic plan and objectives.
- Failure to adapt to changes in the external environment e.g. macroeconomic, political, technological advances, competition, and changes in consumer preferences.

Managing and monitoring strategic/business risk

We apply a range of controls and procedures to identify, monitor and mitigate strategic/business risk:

- A Board defined appetite is approved at least annually, supported by a suite of appropriate policies.
- Strategic/business risks are monitored through our horizon scanning processes, with appropriate escalation channels in place.
- Executive Committee and BRC provide oversight of the management of strategic risks. Performance against appetite is reviewed through these committees and at relevant Board meetings.
- The direction of business and investment activity are set by an annual strategic planning process in the context of the changing regulatory, technological, and competitive landscape.
- Our corporate planning process includes an assessment of the business and macroeconomic environments, which are regularly monitored throughout the year and plans adjusted accordingly.
- Competitor and market performance is assessed by regular thematic reviews.
- An ESG strategy and targets are maintained, which ensure that our purpose and strategy remain aligned with our stakeholder expectations.
- Stress testing is used to understand performance under a variety of severe, but plausible, scenarios.
- Independent risk reporting, including horizon scanning, assesses our operating environment and performance against strategic plans and objectives.

2025 performance

During 2025, we continued to respond to evolving market conditions and customer dynamics:

- Conditions within our operating environment remained uncertain, reflective of macroeconomic and geopolitical risks.
- Activity within the UK housing market remained resilient during the year, underpinned by improved borrower affordability through above-inflation wage growth and lower interest rates. Competition amongst mortgage lenders continued to strengthen with margins further tightening and changes to criteria following a relaxation of lending rules by the PRA.
- A similar trend was mirrored within the savings market whereby retail savings reverted to being a 'true cost' of funds. The increase in the relative cost was driven by larger market participants and lenders refinancing TFSME drawings.
- In the context of heightened competition within our core markets, we carefully monitored the market positioning of our products and responded accordingly. Furthermore, we launched a range of new initiatives/products to deliver on our purpose and continued to focus on operational and service performance.
- We continued to progress our multi-year core transformation programme to increase functionality, strengthen our operational resilience and make our systems simpler and quicker to use for our members, colleagues and intermediary partners.
- In light of progress with transformational activity, changes in market dynamics and emerging customer/technological trends the Society undertook a review of its strategic drivers, which underpin our purpose, to ensure they remain appropriate for the next phase of the Society's strategy.
- The Society's cost base continued to increase during the year, driven by investment in transformational projects. Notwithstanding this investment, the Society continues to operate an efficient underlying business model, with a cost income ratio of 52.2%.

Outlook

- Our strategic/business risks are closely linked to the emerging risks detailed within the Risk Overview on pages 37 to 40.
- In particular, prevailing macroeconomic and geopolitical risks may have the potential to create volatility and uncertainty in the Society's outlook. Competition within our core markets is also expected to remain heightened, driven by relaxation of macroprudential regulation, ISA reforms and increasing demand for digital channels.
- We will continue to closely monitor external developments and assess potential impacts under both central and stressed conditions.
- Progress with our strategic change portfolio will also be closely monitored, to ensure that key transformational projects are appropriately prioritised and effectively delivered to support achievement of our strategic objectives.

Governance

Corporate Governance Report

Year ended 31 December 2025

Introduction

Following my appointment to the role in March 2025, this is my first Corporate Governance report as Chair of the Board. I am delighted to have taken on the role of Chair and feel privileged to lead the Society. In February 2025, we said farewell to Iain Cornish, former Chair, and I would like to express our sincere gratitude for his strong leadership during his tenure.

Our Board

2025 saw a number of changes for our Board, with my appointment as the Chair and the departures of Richard Fearon as Chief Executive Officer (CEO) and Andrew Conroy as Chief Financial Officer (CFO). As reported last year, Gareth Hoskin, Senior Independent Director and Chair of Audit Committee also retired at the end of March, following nine years with the Society. Following Richard taking some extended leave in June, Annette Barnes, our former non-executive director, was appointed as the Interim Chief Executive Officer (Interim CEO).

Following the announcement of Andrew Conroy's departure, the Board was pleased to announce the appointment of Arlene Cairns as the new CFO (subject to regulatory approval). In 2025, we have been particularly focused on succession planning for both the Board and Executive Committee, to ensure we have a strong and diverse composition to lead the Society and to deliver the strategy. I am pleased to report that the Board and the Executive Committee have demonstrated their strength and resilience during this transitional period. We have also continued to display our resilience, adapting to changes in the economic environment and remaining financially and operationally stable, please see pages 4 to 57 of the Strategic Report for further information. The recent changes have enabled a number of internal appointments, demonstrating the level of internal talent and strength of our succession plans.

Transformation and innovation

As reported in 2025, we are investing significantly in the development of new core banking technologies which will provide more flexible and resilient systems to futureproof our systems and provide a foundation for strategic transformation. This is a multi-year programme and a long term investment in our future, ensuring we are set up for a world of constant change. It will also lay the groundwork for ongoing improvements, helping us unlock the full potential of our people and our business and enhance our digital experience for our members and colleagues.

This transformation is a vital part of our broader strategy – all aimed at delivering on our purpose, to put home ownership within reach of more people – generation after generation.

In terms of oversight, the Board continues to be focused on this area of transformation and has received regular updates on progress of the programme.

People and culture

In 2025, we continued to strengthen the culture that underpins our purpose and performance. Our ambition is clear: to build a workplace where colleagues feel heard, valued and empowered, and where high-performing teams can thrive through change. We remain committed to fostering a workplace where every colleague feels they belong, can grow and can contribute to delivering on our purpose for members and communities.

We are committed to having a diverse and inclusive Board to help set the Society's strategy, tone and culture and in 2025 have moved further towards greater gender diversity in the Boardroom with a 60/40 gender split (male/female), supported by female Chairs for both the Audit and Remuneration Board Committees, a female Interim CEO¹ and a newly appointed female CFO (joining in 2026).

¹ Annette Barnes was appointed as Interim CEO in June 2025

Corporate governance

For the 2025 financial year we have applied the principles and complied with the provisions of the Financial Reporting Council's Corporate Governance Code (the 'Code') published in 2024, save for provision 11, which relates to Board composition, where at least half of the Board, excluding the chair, should be independent non-executive directors. A copy of the Code which is available on the Financial Reporting Council's website ([frc.org.uk](https://www.frc.org.uk)), and as a building society, we voluntarily apply the Code as set out in the Building Societies Association (BSA) Guidance, available at [bsa.org.uk](https://www.bsa.org.uk). During 2025, the Board opted to prioritise specialist knowledge and succession planning at Board level over its composition. Therefore, as at 31 December, the Board comprised ten directors: four executive directors, the Chair, four independent non-executive directors and one non-independent non-executive director. Whilst the Board composition was made up of 40% independent non-executive directors (excluding the Chair) for the purposes of provision 11 of the Code, the Board continued to have a majority of non-executive directors (60%) versus executive directors (40%) as at 31 December 2025. This was also a consequence of Annette's appointment as an executive director which left one fewer independent non-executive director, and as reported previously, David Fisher's tenure as a non-independent non-executive director had been extended into 2026, to provide continuity and support to the Board following changes in Board composition made earlier in the year. Succession plans will be an area of key focus in 2026, and recruitment plans are in place to ensure the composition of the Board remains appropriate in all material respects.

This report sets out how the Board has operated over the past twelve months and explains how we embed good governance throughout our activities, ensuring that our decisions remain balanced, transparent and aligned to the interests of all stakeholders.



Brendan McCafferty
Chair of the Board

26 February 2026

The following non-executive directors stepped down from the Board in 2025:

- Iain Cornish, former Board Chair, in February 2025.
- Gareth Hoskin, former Senior Independent Director, Chair of Audit Committee, in April 2025.
- Annette Barnes, former Senior Independent Director (from 1 April 2025) and Chair of Remuneration Committee was appointed as Interim Chief Executive Officer in June 2025.

The following executive directors stepped down from the Board in 2025:

- Richard Fearon, former Chief Executive Officer, in November 2025.
- Andrew Conroy, former Chief Financial Officer, in December 2025.

For further details of Board changes and new appointments, please see page 108 of this report.

The Board of Directors

Year ended 31 December 2025

The biographies of each member of the Board as at 31 December 2025, are shown here and serve to demonstrate the reasons why the skills and experience of each director contribute to our long term and sustainable success.



Brendan McCafferty

Chair and Independent Non-Executive Director

Appointed: Independent non-executive director in September 2024 and Chair of the Board in March 2025.

Board committees: Nominations (Chair) and Remuneration committees.

Skills and experience: Brendan is a chartered management accountant with over 30 years' senior leadership experience in regulated financial services businesses. Brendan is also Chair of Nest Corporation (National Employment Savings Trust) and a specialist insurance business.

From Brendan's previous roles as CEO, he has experience leading major transformational change in financial services organisations, and Brendan understands how to best engage government and the other stakeholders we work with. Brendan believes his experience and strategic leadership will help us achieve our purpose.

Roles and responsibilities: As Chair, Brendan leads the Board and oversees our performance as a business to make sure our strategy is on track to deliver for our members. As Chair of the Nominations Committee, Brendan makes sure the Board and senior leadership team have the right mix of skills and experience now and in the future.

Other roles:

- Chair of Nest Corporation
- Chair of Academy Insurance Services and its connected entities
- Trustee of Blueprint for Better Business Trust
- Trustee of Catholic Diocese of Salford and its connected entities



Annette Barnes

Interim Chief Executive Officer

Appointed: Independent non-executive director in February 2019. Interim CEO in June 2025.

Skills and experience: Annette has over 35 years' experience in financial services, including senior leadership experience – as a CEO, managing director and Board member. She is also a non-executive director for Globaldata plc and Stratos Markets Limited.

Annette's experience in financial services, aligned with her background in customer engagement, people leadership and technology, has given her strong commercial and strategic skills, especially in transformation and change, which will be an important factor in the Society's forthcoming core transformation journey. Annette has been a director at the Society since 2019, and is passionate about our purpose - putting home ownership within reach of more people, generation after generation.

Roles and responsibilities: Annette oversees the day to day running of the Society, leads the management team and delivers our purpose to make sure we're operating in the best interests of our members and key stakeholders. She also works closely with the Chair and the Board to agree and deliver against our long term strategy.

Other roles:

- Non-Executive Director, Chair of Remuneration Committee and Senior Independent Director of GlobalData plc (due to step down in February 2026)
- Non-Executive Director, Chair of Remuneration and Nominations committees of Stratos Markets Ltd



Farah Buckley

Independent Non-Executive Director

Appointed: April 2023.

Board committees: Audit (Chair) and Board Risk committees.

Skills and experience: Farah has had a successful executive career, with a focus on private equity and corporate finance, most recently with Hermes GPE and Schroder Adveq. This has given her extensive experience in audit, investment, strategy, risk and ESG (Environmental, Social and Governance).

Farah has spent more than 23 years working in financial services and has held a variety of Board roles including several non-executive positions. Her experience, skills and insight as a chartered accountant mean she can effectively monitor the integrity of our external financial reporting.

Roles and responsibilities: As Chair of the Audit Committee, Farah makes sure our financial statements are fair, balanced and include all the information needed to assess our performance. She is also our 'whistleblowing' champion and ensures our culture welcomes open and transparent discussions.

Other roles:

- Non-Executive Director Aurora UK Alpha plc
- Non-Executive Director Caledonia Investments plc
- Non-Executive Director Apollo Syndicate Management Limited



Andrew Conroy

Chief Financial Officer

Appointed: Chief Financial Officer in July 2019 and Executive Director in January 2020.

Skills and experience: Andrew has over 20 years' experience in financial services, including a number of senior roles in both building societies and banking institutions. Having worked within finance, treasury and corporate strategy, Andrew developed strong technical skills in financial accounting and treasury risk management.

Roles and responsibilities: As CFO Andrew was responsible for managing the Society's finances and one focus was to make sure we support our members and colleagues by safeguarding the Society's financial position. As part of Andrew's role, he regularly met with the PRA to discuss the ways in which we maintain a safe and sound financial system.

Andrew was Chair of Assets and Liabilities Committee and Balance Sheet Optimisation Group. He was responsible for our Finance, Treasury, Data and Third Party Management functions, along with oversight of the Society's recovery and resolution plan and associated activities.

Andrew stood down from the Board on 31 December 2025.



Non-Independent Non-Executive Director

Appointed: March 2012.

Skills and experience: David has had a career in financial services for more than 30 years in a variety of senior roles including CEO of Sainsbury's Bank. In this time, David has developed a great deal of knowledge in retail financial services. He also has a strong understanding of risk management, pensions and human resources.

David's wide ranging Board level commercial experience enables him to provide both a strategic and an operational perspective on the challenges that the Society faces. He also has a great deal of knowledge in retail financial services which is useful as we continue to expand our branch network.

Roles and responsibilities: David's role is to provide challenge and scrutiny to make sure we are financially resilient and have systems in place to manage risks appropriately. David's been a long-standing member of the Board, and he continues to provide insight at both Board and Board committee meetings.



Independent Non-Executive Director

Appointed: Independent non-executive director in December 2020 and Interim Senior Independent Director in June 2025.

Board committees: Board Risk (Chair), Audit, Nominations and Remuneration committees

Skills and experience: Neil has over 40 years' experience of retail banking and financial services, most recently as Executive Director and Chief Risk Officer at Bank of Ireland UK plc and GE Capital Bank. Prior to this he has held a variety of roles including Risk Director and Chief Risk Officer in the UK Retail Division of NatWest/RBS.

Neil's previous experience as CRO at different organisations gives him a strong understanding of risk management and risks that have the potential to impact the Society's operations.

Roles and responsibilities: As Interim Senior Independent Director he provides support and guidance to the Chair. As Chair of the Board Risk Committee, Neil helps monitor the Society's exposure to potential risk. Neil works with the committee to oversee the delivery and effectiveness of our risk management frameworks and promote a risk aware culture within the Society. The ethics of a mutual are important to Neil and he very much enjoys working with the Society.

Other roles:

- Non-Executive Director and Chair of Board Risk Committee of Cynergy Bank plc



Andrew Greenwood

Deputy Chief Executive Officer

Appointed: Executive Director in January 2015 and Deputy Chief Executive Officer in May 2021.

Skills and experience: Andrew has worked at the Society since 1998, joining as a solicitor but progressing into a variety of senior roles since then including Chief Risk Officer. He's also Chair of our Inclusion Steering Committee, which supports the delivery of our inclusion and diversity strategy.

After 27 years' working at the Society, Andrew has developed strong knowledge of the organisation, its people and culture. He also has extensive experience in risk management and strategy which supports our growth ambitions.

Roles and responsibilities: Andrew is responsible for the Customer division, and Property and Business Services function. He also leads on managing our climate-related risks and our climate transition plans, as we move forward in our net zero journey. Andrew is a member of several risk focused committees and Chair of the Cost Optimisation Group, which aims to deliver our annual cost plan, making sure the Society manages costs effectively.

Other roles:

- Non-Executive Director of Leeds Teaching Hospitals NHS Trust
- Non-Executive Director of Shared Ownership Code Limited



Rob Howse

Chief Operating Officer

Appointed: Chief Operating Officer in September 2019 and Executive Director in May 2021.

Skills and experience: Rob has spent much of his career working in senior executive roles in technology, operations and transformation at Lloyds Banking Group, Royal Bank of Scotland and McKinsey and Company. His earlier career included time serving as an officer in the Royal Navy.

Rob brings a wealth of experience in retail banking, technology and strategy as well as specialist knowledge in the design and execution of transformation and technology programmes. Over the last six years in the Society, Rob has used this expertise to strengthen our resilience, improve our mortgage systems and lay the technology foundations for our future success.

Roles and responsibilities: As Chief Operating Officer Rob is responsible for the Society's technology, transformation and operational resilience. A key priority is the successful delivery of our multi-year technology transformation programme, which includes building a replacement core banking system that will ensure we have capable and robust systems to keep us ahead of future customer and market expectations.

Other roles:

- Member of the UK Finance Digital, Technology and Cyber Product and Service Board
- Vice Chair of Governors, Trustee and Director of The Grammar School at Leeds



Independent Non-Executive Director

Appointed: May 2023.

Board committees: Remuneration (Chair), Audit, Board Risk and Nomination committees.

Skills and experience: Pam is a chartered banker with over 30 years' financial services experience in operations and transformation roles, most recently as Chief Operating Officer at Paragon Banking Group plc.

Pam has experience promoting a strong customer-centric and people focused culture within organisations. Pam's knowledge and experience of financial services operations and transformation programmes help her support the Board and the Society, particularly as we move to a new core banking system over the next few years.

Roles and responsibilities: As Interim Chair of Remuneration Committee, Pam makes sure the Society has the right reward structures in place to support our culture as a mutual and to attract and retain the talent we need to deliver our purpose. As our colleague engagement champion she regularly meets with colleagues to discuss their experiences and raise their views to the Board to drive change and positive action.

Other roles:

- Non-Executive Director and Chair of Remuneration Committee of Saga Services Ltd



Independent Non-Executive Director

Appointed: October 2021.

Board committees: Board Risk committee.

Skills and experience: In her career Anita has held a number of senior roles and has a wide range of expertise combining technology, strategy and change. She has worked in senior roles in transformation, digital and technology for Sky, British Gas and BT Business.

Anita is passionate about the values associated with mutuality and she continues to bring further strength and diversity to the Board. Anita has a wide knowledge of the development and design of customer journeys, and she is dedicated to ensuring our members' needs are a key area of focus.

Roles and responsibilities: As consumer duty champion, Anita provides oversight of conduct and ensures we deliver positive member outcomes. With over 25 years' knowledge and experience she adds value to Board discussions, particularly in transformation, strategy and IT/digital areas to help support the Society on our digital journey.

Other roles:

- Director of Planning, Transformation and Performance at Virgin Media O2
- Director of Tadayon Consulting Limited

The Executive Committee

Year ended 31 December 2025

All executive directors of the Society serve as members of the Executive Committee, alongside the Chief Officers (listed below). Biographical profiles for the executive directors are provided on the previous pages.



Jon Bailey

Interim Chief Financial Officer (from 1 January 2026)

Jon joined the Society in 2022 and has over 15 years' experience in financial services across all areas of Finance in both building society and banking institutions. Since joining the Society, he has had responsibility for financial planning, financial reporting and third party management. Since stepping into the Chief Financial Officer role on an interim basis his remit expanded to include Credit Risk and Treasury. Jon is also Chair of the Balance Sheet Optimisation Group.



Caroline Dale

Chief Internal Auditor

Caroline is a chartered accountant and trained at KPMG, where she spent eight years delivering and managing external audits and other assurance work in the financial services industry. She joined the Society in May 2015 and since then has held several Internal Audit and Finance leadership roles. She was appointed Chief Internal Auditor and joined the Executive Committee on 1 November 2023. Caroline is responsible for leading an independent and effective Internal Audit function, which provides oversight and challenge of the risk and control environment and gives assurance to the Society's Board and management team, to support them in delivering its purpose.



Geraldine Kemp-Klotz

Chief People Officer

Geraldine joined the Society in September 2024 and was appointed permanently to the role of Chief People Officer in July 2025. She has over 20 years' global experience across universal banking. She has diversified strategic capabilities, combining deep industry knowledge with expertise in people and culture. Prior to joining the society, Geraldine spent eleven years at Barclays Bank plc in London and New York. Geraldine also spent over ten years with Citigroup and Visa Inc. in EMEA (Europe, Middle East and Africa), and Asia Pacific. Geraldine is a strong advocate of healthy inclusive workplaces and empowering colleagues, which she champions across financial services as a member of the UK Financial Services Skills Commission Board.



Andy Mellor

Chief Risk Officer

Andy has worked in financial services for over 25 years, with experience in a variety of senior roles in building societies, banking and consultancy. Andy worked in specialised treasury roles prior to risk management, Internal Audit and advisory roles. Andy developed the Risk function, as part of the risk strategy refresh and he joined the Executive Committee in March 2021, following his appointment as Risk Director, then Chief Risk Officer on 1 October 2022. Andy was Chair of the Models and Ratings Committee, and co-sponsor of the Gender Equality Forum. Andy left after 12 years with the Society and Katherine Tong, Director of Compliance, Legal, Risk and Secretary, was appointed as his successor.



Andy Moody

Chief Commercial Officer

Andy joined the Society in 2012 and has held the roles of Director of Credit Risk, Deputy Chief Risk Officer and more recently Chief Commercial Officer, in which he has responsibility for our products and their distribution, our digital channels, brand and marketing, strategy and corporate affairs. Andy's prior experience includes senior risk, commercial and consulting roles across PwC, Skipton Building Society, Northern Rock, National Australia Bank and Bradford & Bingley. Andy is Chair of the Credit Committee.



Victoria Reid

Chief of Staff

Victoria has worked in financial services for over 23 years, with experience in a variety of leadership roles across Customer, Commercial and Operational divisions. Victoria leads the Executive Office and in doing so acts as the strategic partner and right-hand person to the Chief Executive Officer, and Executive Committee more broadly, driving alignment across executive priorities, accelerating decision-making, and ensuring operational excellence throughout the Society.



Katherine Tong

Chief Risk Officer (from 1 January 2026) and Secretary

Katherine joined the Society in 2001 and initially carried out some operational roles before moving to the Risk Division. As a head of department in Risk, she has had responsibility for several different teams, before, more recently, operating as the Director of Compliance, Legal, Risk and Secretary. In Q4, 2025, Katherine was appointed as Chief Risk Officer and from 1 January 2026 formally replaced Andy Mellor. Katherine joined the Executive Committee in Q4 as part of the transition to her new role. Her wealth of experience will greatly strengthen the Executive Committee, having worked across a number of areas including legal and regulatory compliance, risk management, and Board and corporate governance.

The Board's role

The Board leads the Society and is responsible for securing its long term success by developing and implementing a strategy that delivers our purpose for the benefit of our current and future members, colleagues, and the communities we serve. Creating mutual value for our stakeholders is a core priority and is integral to the Board's decision-making processes.

To support effective governance, the Board delegates certain duties to its dedicated Board committees. Each committee operates under detailed Terms of Reference (ToR), which set out its delegated authority and areas of focus. Copies of each committee's ToR are available on our website at leedsbuildingsociety.co.uk/your-society/about-us/board-committees.

The Board is governed by the Society's Memorandum and Rules and operates under a formal ToR, which set out a clear set of roles and responsibilities. The Board also maintains a formal schedule of matters reserved for its own decision. Examples of these responsibilities are set out below. Comprehensive details of the Board's role, together with the full schedule of matters reserved to it, are available within the Matters Reserved for the Board and the Board's Terms of Reference, accessible on our website at leedsbuildingsociety.co.uk/your-society/about-us/board-committees.

Area of focus	Board responsibilities
Finance	Review of the Society's annual and interim financial statements.
	Approval of the corporate plan and forecast updates.
	Monitor the performance of the Society and its capital and liquidity requirements.
Strategy/purpose	Approval and oversight of technological enhancements and transformation change to the Society's operations.
	Development and oversight of the Society's purpose and strategy.
Stakeholder engagement	Stakeholder engagement including seeking the right outcomes for our members.
	Approval of a non-executive director to be appointed as (a) the colleague engagement champion; and (b) consumer duty champion.
	Review of the development and implementation of the Colleague Strategy.
Risk management	Annual review of the effectiveness of our systems of internal control.
	Annual approval of the Society's risk appetite.
Governance	Proposals for the appointment, re-appointment or removal of external auditors.
	Annual approval of the Speak Up Policy.
	Set the tone and monitor culture.
	Review and approve the framework of delegated authorities and mandates.
	Authority for large initiatives including acquisitions or disposals and contract expenditure.
	Appointment of any committees of the Board and their terms of reference.
	Approval of and changes to the Corporate Governance Framework.
Undertaking a rigorous and formal review annually of its own performance, committees and individual directors.	

Division of responsibilities

There is a clear division between the roles of the executive and non-executive members of the Board. The positions of Chair and CEO are held by different individuals, each with well-defined responsibilities. The principal responsibilities of the Chair, CEO, and Senior Independent Director are reviewed periodically against their respective job descriptions and are documented for Board review and approval.

The table below outlines how responsibilities are clearly delineated for each of these roles, as well as for executive directors, non-executive directors, and the Secretary. All directors work closely with the Secretary, who provides guidance on Society and governance matters and have access to independent professional advice, where required, at the Society's expense.

<h3>The Board</h3> <p>Roles and responsibilities within the Board</p>	
<p>Chair</p> <p>Leads the Board to ensure it operates effectively in setting the strategic direction of the Society, promoting the highest standards of corporate governance. Shapes the culture in the boardroom by fostering open and honest debate and ensuring valuable contribution from all directors.</p>	<p>Senior Independent Director</p> <p>Supports the Chair in their role and with the delivery of objectives and acts as a sounding board. Available to fellow directors as an intermediary.</p>
<p>Chief Executive Officer</p> <p>Runs the day to day management of the Society under delegated authority from the Board and is accountable to the Board for the Society's performance and delivery of the Society's strategy.</p>	<p>Non-executive Directors</p> <p>Use their skills, experience and knowledge to hold management to account by constructively providing challenge to the Society's performance, culture and controls.</p>
<p>Executive Directors</p> <p>Hold specific management responsibilities in the day to day running of the business, and accountable to the Board for the execution of the Society's strategy and the performance of the business.</p>	
<p>Secretary</p> <p>Advises the Board on all Society and governance related matters. Provides support to the Board in managing good information flows.</p>	
<h3>The Board delegates certain matters to its principal committees</h3> <p>Each Board committee considers the Society's business and matters that fall within its respective remit of responsibility.</p>	
<p>Audit Committee</p> <p>Key areas: Financial reporting, Internal Audit and relationship with External Auditors.</p> <p>Members: Farah Buckley (Chair), Neil Fuller, Pam Rowland See the Audit Committee Report on page 118</p>	<p>Board Risk Committee</p> <p>Key areas: Risk (management, frameworks, appetite, and monitoring).</p> <p>Members: Neil Fuller (Chair), Anita Tadayon, Farah Buckley, Pam Rowland See Board Risk Committee Report on page 125</p>
<p>Nominations Committee</p> <p>Key areas: Succession planning, Board leadership and composition.</p> <p>Members: Brendan McCafferty (Chair), Pam Rowland, Neil Fuller See Nominations Committee Report on page 112</p>	<p>Remuneration Committee</p> <p>Key areas: Board and material risk takers pay and benefits, Society reward oversight.</p> <p>Members: Pam Rowland (Chair), Neil Fuller, Brendan McCafferty See Remuneration Committee Report on page 130</p>

Board committees

Board committee members are all independent non-executive directors, selected for their skills and experience relevant to each committee's remit. Membership is restricted to non-executive directors to maintain independence and ensure compliance with the Code. Other Board members and senior leaders may attend committee meetings by invitation, when their input is required.

Each committee chair is responsible for ensuring that accurate, timely and clear information is provided to support effective deliberation and decision-making. The Board maintains oversight of all matters delegated to its committees through regular reports from committee Chairs at Board meetings, supplemented by updates from members of the Executive Committee.

Executive Committee

The Executive Committee is chaired by our CEO and its primary purpose is to support the executive directors and chief officers in managing the Society in a unified and strategically focused way. The committee takes an enterprise wide view of key issues and priorities and delegates specific responsibilities to a number of management committees. Members of the Executive Committee also regularly attend Board meetings to provide updates on their areas of responsibility and to address relevant matters.

Board meetings

The Board, led by the Chair, holds scheduled meetings as often as necessary to fulfil its responsibilities and to ensure the effective operation of the Society. Each year, the Board typically meets at least eight times and holds both a planning and strategy conference. Extra meetings are convened by the Secretary when matters arise that require Board attention in the interim.

Board meeting agendas are planned in accordance with the ToR, while allowing flexibility to allocate time for additional items that may require discussion.

Comprehensive and timely papers are provided in advance of each meeting. Several standing items appear at every Board meeting, including:

- Minutes of the previous meeting
- Minutes of any Board Committee meetings held since the last Board meeting
- The action schedule
- The schedule of key matters
- A written update from the CEO
- The business performance scorecard
- Updates on strategic matters, regulatory developments, and business transformation

Each agenda also includes an item inviting reflection on the quality of the discussions held, the content of the papers presented, and the behaviours demonstrated during the meeting. This aims to gather constructive, real time feedback on the format and quality of Board materials in an open and transparent manner, and to ensure the Board continues to cultivate an environment that supports effective decision-making.

Board and Board committee meetings attendance in 2025

In 2025, there were 11 meetings of the Board. The table below sets out the attendance records of all Board and Board committee meetings. In accordance with good governance practices, executive directors do not have membership rights at Board committee meetings, and the Chair does not have membership rights at the Audit or Board Risk Committees.

	Board	Audit	Board Risk	Nominations (1)	Remuneration
Number of meetings held in 2025	11	6	7	4 (1)	7
Annette Barnes (2)	11/11	–	3/3	2/2	2/2
Farah Buckley	10/11	6/6	6/7	–	–
Andrew Conroy (3)	9/11	–	–	–	–
Iain Cornish (4)	2/2	–	–	1/1	1/1
Richard Fearon (5)	5/5	–	–	–	–
David Fisher	11/11	–	–	–	–
Neil Fuller (6)	11/11	6/6	7/7	2/2	7/7
Gareth Hoskin (4)	2/2	2/2	2/2	1/1	1/1
Andrew Greenwood	11/11	–	–	–	–
Rob Howse	11/11	–	–	–	–
Brendan McCafferty (7)	11/11	–	2/2	4/4	4/6
Pam Rowland	11/11	6/6	7/7	4/4	7/7
Anita Tadayon	11/11	–	7/7	–	–

Notes

- (1) Three additional Nominations Committee meetings were held in 2025 to deal with single issue emerging items.
- (2) Annette Barnes was appointed as Interim CEO from 23 June 2025 and her membership of any Board committees automatically ceased.
- (3) Andrew Conroy attended the morning session only of the November Board meeting.
- (4) Iain Cornish and Gareth Hoskin stepped down on 28 February and 31 March 2025 respectively.
- (5) Richard Fearon took a leave of absence from 23 June 2025 and stood down from the Board on 27 November 2025.
- (6) Neil Fuller joined the Nominations Committee in July 2025 following his appointment as Interim Senior Independent Director.
- (7) Brendan McCafferty was appointed as Chair from 1 March 2025. His membership of Board Risk Committee automatically ceased, and he joined the Remuneration Committee.

Board decisions and stakeholder engagement

High quality reporting remains fundamental in supporting the Board's ability to make well informed and timely decisions. The Board continues to place strong emphasis on the clarity, accuracy, and relevance of the materials presented to it. Regular reviews of reporting practices ensure that information is concise yet sufficiently detailed to enable effective scrutiny and robust decision-making. In recent years, enhancements have been implemented to strengthen the readability and focus of Board papers, including clearer articulation of the specific actions or decisions being sought.

As part of the Board's ongoing commitment to continuous improvement, all standard reporting templates were comprehensively reviewed and updated in 2025. The revised templates are designed to promote consistency, reinforce a clear statement of purpose and intended outcomes, and streamline content where appropriate to support efficient Board deliberation.

The Board recognises the importance of engaging with a diverse range of stakeholders and considers their views when making decisions which shape the organisation's strategic direction. Established engagement channels are in place for each stakeholder group, and the Board receives insight through a combination of direct interactions, structured engagement programmes, and formal reports presented either at Board level or through its committees.

Consideration of purpose, strategy, and stakeholder impact remains central to the Board's decision-making framework. All reports requiring a decision from the Board must set out the stakeholder groups likely to be affected and describe how their interests have been considered. In recent years, the Board has introduced changes to increase its engagement activity and to deepen its understanding of stakeholder perspectives, enabling more informed judgements and supporting balanced, sustainable decision-making.

Stakeholder interactions are a standing agenda item on all Board agendas. The Chair invites Board members to provide updates on any engagement undertaken since the previous meeting, bringing insight to the Board and promoting discussion and thought, in a more direct and meaningful manner. Some examples of engagement with stakeholders are presented below. Further information on how the Board has engaged with its key stakeholder groups is outlined on pages 24 to 27 in the Strategic Report.

Director – Annette Barnes



Stakeholder: Government

Annette attended a Labour Party fringe event and a Yorkshire Businesses event at Number 11 Downing Street, hosted by the Chancellor of the Exchequer, Rachel Reeves. During these engagements, Annette raised key topics for discussion, including cash ISA limits and shared ownership schemes.



Stakeholder: Colleagues

Annette participated in a 2025 graduation celebration, honouring 35 colleagues for completing external qualifications alongside their professional roles.



Stakeholder: Regulators

Annette engaged with the Bank of England Financial Policy Committee, to discuss several sector-wide issues, including the impact of recent Loan to Income (LTI) changes on mortgage accessibility, potential government measures to further support the housing market, the influence of parental financial assistance on borrowing trends, and the use of rental payment data to strengthen credit scoring practices.

Director – Brendan McCafferty



Stakeholder: Colleagues

Brendan visited our contact centre, to engage directly with frontline colleagues. During the visit, Brendan listened to colleagues' experiences, and shared reflections on the organisation's future direction and purpose. This engagement reinforced the importance of strong connections between leadership and frontline teams, helping to build trust, boost morale, and highlight the critical role every colleague plays in delivering exceptional customer outcomes.



Stakeholder: Regulators

Brendan and Katherine Tong, Society Secretary, engaged with both the FCA and PRA, regarding the Society's governance framework and succession plans in place for the Board and leadership team.



Stakeholder: Colleagues

Brendan attended a LGBTQ+ Colleague Forum meeting to gain strategic insight into emerging priorities and explore opportunities to support its long term impact.

Director – Andrew Greenwood



Stakeholder: Colleagues

As Chair of the Society's Inclusion Steering Committee, Andrew continued to advance the Society's inclusion and diversity strategy. Under his leadership, the Society achieved a significant milestone by becoming the first organisation to receive gold accreditation for the second time, under the Inclusive Employers Standard.



Stakeholder: Members, Colleagues

Andrew visited a number of branches this year including York, Wetherby, Harrogate and Garforth, and attended the re-opening of the Harrogate branch following its refurbishment in July.

Director – Farah Buckley



Stakeholder: External auditor

Farah maintained regular engagement with Ernst & Young LLP, the Society's external auditor, to challenge planned approach and discuss results of audit work performed.

Director – Neil Fuller



Stakeholder: Colleagues

Neil delivered a presentation at the annual colleague Risk Division Conference and engaged with colleagues throughout the event to discuss key priorities and share insights from his role as Chair of Board Risk Committee.

Director – Anita Tadayon



Stakeholder: Colleagues

Anita spent a day with the core team to observe how the core transformation project had developed since its inception.



Stakeholder: Members, Colleagues

As consumer duty champion, Anita visited our Cheltenham branch to meet with colleagues, observe the branch's daily operations and interactions with members.

Director – Andrew Conroy



Stakeholder: Colleagues

Andrew sponsored the Ethnicity and Cultural Heritage Forum throughout 2025, supporting key initiatives such as the Zero Tolerance project, which reinforced the Society's commitment to a harassment free workplace.

AAA Stakeholder: Rating agencies

Andrew attended meetings with rating agencies, Moody and Fitch, to provide a comprehensive update on our financial performance, strategy, and risk management to ensure transparency and maintain our credit rating.

Director – Rob Howse



Stakeholder: Colleagues

Rob collaborated closely with the Colleague Association (CA) to discuss the core transformation project and how it will impact colleagues. As part of this, Rob worked closely with the CA to support the implementation of changes to our Target Operating Model, ensuring that colleague feedback informed decision-making processes, outcomes and colleague communication.

Director – Pam Rowland



Stakeholder: Colleagues

As colleague engagement champion, Pam attended a number of meetings with colleagues including the Colleague Voice Network, Chair of the Colleague Association and meetings with colleagues across various departments, representing a range of levels and roles. Pam also visited our contact centre in Cobalt, and visited a number of our branches. More information on Pam's role as colleague engagement champion is on page 105.

2025 Board activity

This page sets out an example of the key matters considered by the Board during the year.

Theme	Discussion points	Stakeholder
Board effectiveness	Board effectiveness review sessions were held with Board members in both January and May in which the actions from the external effectiveness review in 2024 were discussed. In July, the Board received an update on those agreed actions and confirmed the proposed plans for an internal review in the second half of 2025. The output from the 2025 review was discussed with the Board in November 2025 and it was agreed to allocate time to a further discussion in 2026. More information on board effectiveness and outputs is on page 110 of this report.	Board
Technology and innovation	In January, the Board provided approval for management to progress to the second phase of the core transformation project. Regular updates on core transformation and migration programme were provided throughout the year, including updates on progress against key delivery milestones, budgetary controls, the partnerships in place with Accenture and Mambu and project governance. Discussions also focused on optimisation, business readiness, co-existence plans and service design processes. More detail can be found in the strategic report on page 13.	Colleagues
	In addition to the core transformation programme, the Board received updates on management's decision to progress with development of a mobile app and the importance and growing use of AI.	Members
	The full Board met with the CEO of Mambu, to discuss their joint partnership with the Society in delivering the core transformation programme and progress made so far.	Brokers Suppliers Colleagues
Consumer duty	The Board received the Annual Consumer Duty Assessment and noted the good progress that had been made to embed the consumer duty. Over the last twelve months, the Society has continued to enhance its focus on consumer outcomes within operational areas and decision-making processes.	Members
Annual General Meeting (AGM)	The Board received an update in June on the 2025 AGM and results of a member survey, including questions on the format and design of our AGM documentation and meeting. Insight was used to formulate plans for future meetings.	Members Colleagues
	Financial planning	In January, the Board received proposals for a revised format and proposed agenda for the May Strategy Conference.
	The Board reviewed the proposed Corporate Plan for 2026 – 2030 in October. Further discussions took place in November, and the Corporate Plan was approved at the November meeting.	Members

Theme	Discussion points	Stakeholder
People and culture	The Board received two updates, in July and November, on the multi-year colleague strategy, which also included an update on the culture audit performed in 2024. More information on the culture section of this report on page 105.	Colleagues
	As colleague engagement champion, Pam Rowland provided an update from her first few months in the role and referenced the key themes which had been identified through her interactions with colleagues. The Board also received an update from the Chair of the Colleague Association who explained that during the period, the association had worked closely with the People team to enhance the colleague experience, including: the introduction of Leadership Fundamentals training courses; launch of a Colleague Assistance Program, and delivery of training for supporting customers in vulnerable circumstances. Collaboration with the People Team also focused on preparing for changes to employment legislation.	Board Members
Strategy update	The proposed strategy and evolution of our strategic drivers was discussed in depth at the Strategy Conference in May, and subsequent Board meetings. Consideration was given to whether the strategy was appropriate to provide sufficient clarity and alignment over time, and whether it was directionally right given how competition and markets are evolving.	Members Colleague Board
	In November, the final iteration of the evolved strategy and new strategic drivers was presented to the Board for approval, including a view on proposed activities for 2026, which will help to drive us towards achieving our strategic ambitions. More information on strategic drivers can be found in the Strategic Report on page 9.	
Governance	As disclosed earlier in this report, the Board approved a number of changes to Board roles, including the appointment of Annette Barnes as the Interim Chief Executive Officer, the appointments of Neil Fuller as the Senior Independent Director, Pam Rowland as Chair of Remuneration Committee, member of Audit Committee and colleague engagement champion, and Anita Tadayon as consumer duty champion.	Board Colleagues
	The Board was also engaged in and provided input to the changes to the Executive Committee, including the appointment of Katherine Tong as Chief Risk Officer and Jon Bailey as Interim Chief Financial Officer.	Regulators Members
	The appointment of Arlene Cairns as the incoming CFO was also approved in November.	
Risk	Following a recommendation from the Board Risk Committee, the Board approved the outputs of key prudential processes (ILAAP, ICAAP, Recovery Plan and Resolvability Assessment), operational resilience assessments and the annual assessment of good customer outcomes.	Board
		Colleagues
		Regulators
		Members

Our culture: building a high-performing, purpose-led organisation

In 2025, we continued to strengthen the culture which supports the delivery of our purpose and performance. Our ambition is clear: to build a workplace where colleagues feel heard, valued and empowered, and where high-performing teams can thrive through change.

This year, the Board and our Executive Committee dedicated significant time to shaping the next phase of our culture. They received updates on our colleague strategy and reviewed findings from our ongoing culture audit. The audit confirmed that our culture remains strong and stable, colleagues believe in the Society's purpose and feel supported by the people around them. They continue to be motivated to do the right thing for our members and for one another.

At the same time, Board discussions reinforced a shared understanding that cultural stability – while positive – can make meaningful shifts hard to achieve. To ensure we continue evolving, we prioritised four areas:

1. Supporting leaders to lead through change well, with more purposeful engagement and transparency;
2. Reimagining performance management to unlock potential and drive clarity;
3. Setting consistent standards for people leadership to ensure colleagues have high quality consistent experiences; and
4. Strengthening communication, helping colleagues understand the 'why' behind decisions.

These priorities are helping us move from a strong culture to one that is future-ready, more agile and equipped for transformation.

With transformation accelerating, equipping our leaders became a central focus in 2025. All people leaders were invited to our new People Leadership Fundamentals programme. An inaugural workshop focused on: understanding current colleague experience, the role people leaders play in shaping culture, upcoming employment law changes, and guidance and resources available to support people management. Alongside this, we launched a new People Leader resource on our intranet, providing easy access to essential information throughout the colleague lifecycle. New quarterly bitesize digital learning modules will support continuous capability building.

This programme is designed not just for compliance, but to create space for people leaders to learn from each other, build confidence and connect across the organisation, ensuring a true sense of belonging. It strengthens our ability to foster innovation, build resilience and deliver through change. We will continue investing in this programme throughout 2026. Listening to our colleagues remains one of the most important ways we understand culture, improve performance, and respond quickly to colleagues' and members' needs. In 2025, we expanded and deepened our listening approach. We introduced Colleague Voice, a new network of representatives from across the Society. Representatives meet monthly to surface what matters most to colleagues. Every quarter, representatives from all divisions also meet with members of the Executive Committee and Board to share insights and agree actions. This network ensures leaders hear directly from colleagues and supports colleagues in growing wider organisational awareness, influencing decisions and shaping plans before broader rollout.

Our engagement approach, Your Voice, includes a full annual survey and two pulse surveys. Our annual survey confirmed engagement remained strong at 8.4, keeping the Society in the top 25% of Financial Services organisations. Colleagues highlighted our friendly, supportive, and inclusive culture, strong sense of purpose and belonging and valued development opportunities. Where colleagues identified opportunities - including more open conversations about transformation, clearer personal development discussions and more competitive pay structures – we used AI-enabled analysis (via Peakon, our Employee Engagement Survey provider) to quickly identify themes and accelerate action planning.

In June, Pam Rowland, non-executive director, assumed the role of colleague engagement champion, succeeding Annette Barnes. In this capacity, Pam met with a wide range of colleague groups and attended the Society wide Colleague Voice forum. The insights she gathered were presented to the Board and provided real time visibility of colleague sentiment and reinforced the Society's continued commitment to active listening and open dialogue.

Whistleblowing

Our whistleblowing policy, 'Speak Up' outlines the standards expected of all colleagues and those who work with us. We refreshed the policy in 2025, appointing a new whistleblowing champion, Farah Buckley, and added the Chief People Officer as a nominated manager to reflect regulatory requirements. We continue to promote awareness of Speak Up through communications, training and intranet resources. Our Speak Up arrangements can be used to raise concerns if colleagues have any suspicions or knowledge of wrongdoing or misconduct. The nominated managers (Chief People Officer, Chief Internal Auditor and Chief Risk Officer) meet monthly to discuss themes and any matters that might warrant escalation.

The Audit Committee reviews our Speak Up arrangements annually. During the reporting period, a small number of Speak Up notifications were received (September 2024 - August 2025). All were fully investigated with appropriate action taken. No incidents were identified where a Speak Up should have been raised but was missed.

Training on Speak Up was refreshed in this year's essential learning programme, ensuring colleagues feel confident in raising concerns and understanding how reports are handled. We consider our Speak Up arrangements to be effective and will continue to keep this under review.

Inclusion and diversity: creating a culture where everyone thrives

Inclusion and diversity remain central to our long term success and to the Board's agenda. We made meaningful progress this year, while recognising we have further to go, especially to increase diverse representation at a senior leadership level, which has been a key area of focus in recent months for the Executive Committee.

Through focused development and robust talent sourcing, female representation at Executive Committee increased from 25% (2024), to 50% (2025). Our focus remains on ensuring we have robust diverse pipelines, that go beyond gender, as we continue to push forward on our inclusion and diversity strategy. This includes us exploring other avenues of diversity characteristics, such as social mobility as part of our diversity assessments. In 2025, we expanded our talent data to all leadership levels to understand future pipeline strength and concentrate targeted interventions to either support internal development or external attraction where it matters most.

Having diversity in the pipeline is something the Executive Committee is focused on driving forwards, with each member of the committee being accountable for their own area in this regard.

Included below are four examples of our inclusion and diversity activities over the last twelve months.

1. Governance

To support the delivery of our inclusion and diversity strategy, the Society has several well-established colleague-led inclusion and diversity forums. More information can be found in the Strategic Report on page 15.

Our Inclusion Steering Committee (ISC), which is chaired by Andrew Greenwood (Deputy CEO) met twice in 2025 and was attended by each colleague forum lead and senior sponsor, the Inclusion and Diversity team and overall sponsors of our inclusion and diversity agenda. The ISC reviews progress on our strategy and ensures we are taking an intersectional approach to our actions. As overall inclusion and diversity strategy sponsor, Andrew has also hosted quarterly recognition breakfasts and monthly touchpoint meetings with the Inclusion and Diversity team to discuss key areas of focus, and to help the team to drive forward on the agreed strategy.

2. Accreditations

In October we celebrated becoming the first organisation to have been accredited Gold in the Inclusive Employers Standard for a second time, an achievement we are incredibly proud of, whilst also recognising there is still further progress we need to make. We originally achieved Gold in 2023 and have gone on to make progress across all pillars of the assessment, including launching other inclusive initiatives such as expanding diversity data collection, introducing our Empowering Allyship learning programme, and providing resources for inclusive leadership, demonstrating the sustained impact of our inclusion work and our commitment to fostering a truly inclusive culture.

In March we became the first building society to be officially certified as a Bloody Good Employer, an accreditation, which helps businesses create a more inclusive workplace for colleagues who menstruate.

In 2025, our Contact Centre team was presented with a bronze award for Diversity, Equity, Inclusion and Belonging (DEIB) at the European Contact Centre and Customer Service Awards. This recognition highlights all of the amazing work our colleagues have been doing to improve ways of working in our Contact Centre, working alongside our inclusion and diversity forums and included the training we provide to our leaders, as well as the support and adaptations we offer to colleagues who might need a more personalised development plan to help them thrive.

3. Working with external partners and committed signatories

We continue to be signatories to the Women in Finance Charter, as well as the Business in the Community Race at Work Charter and the Open Doors Campaign (which promotes inclusive recruitment). We also continue to work with Inclusive Employers, Business Disability Forum and Business in the Community to review and validate our action plans.

4. Colleague Forums and other key initiatives in 2025

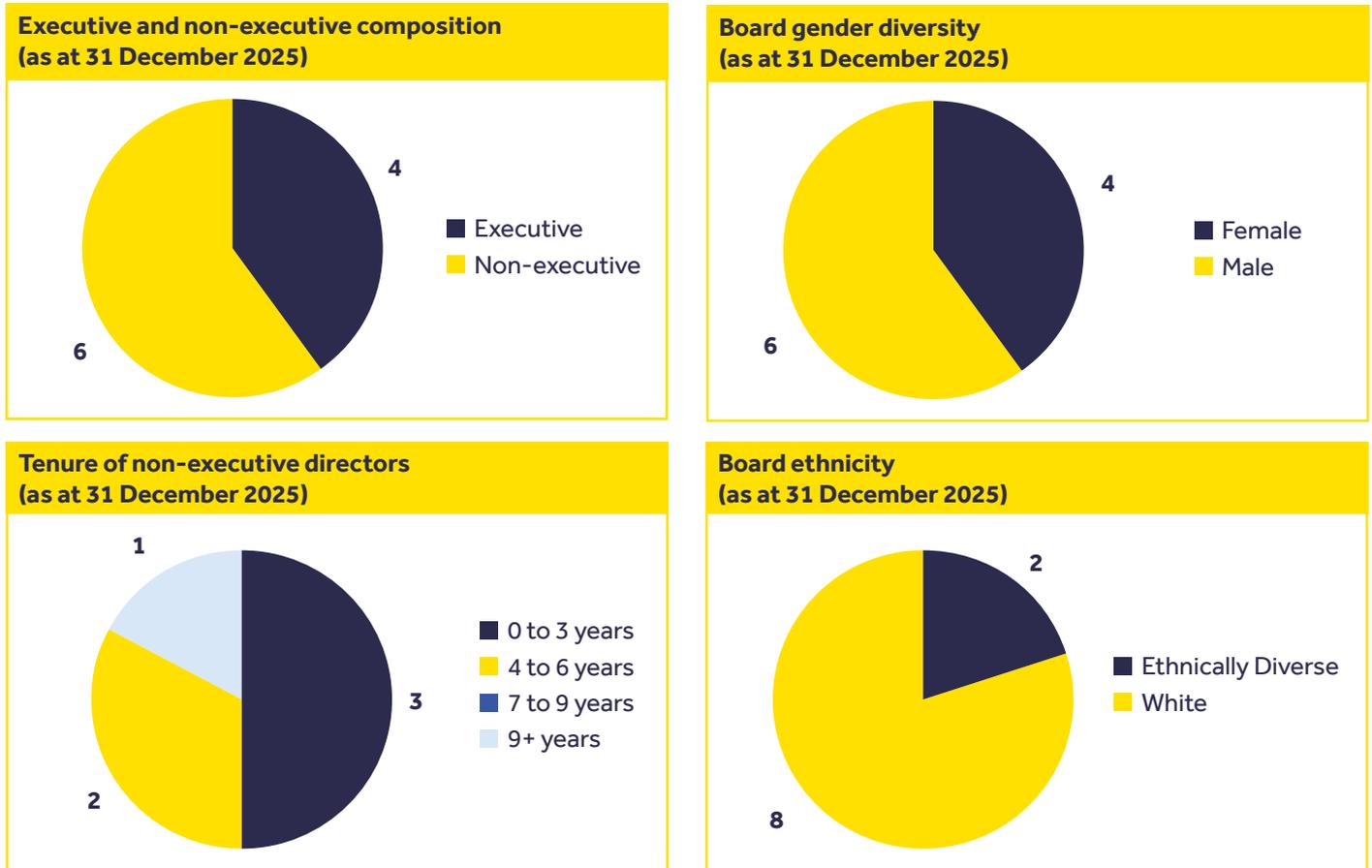
- Members of the senior leadership team got involved in the LGBTQ+ History Month, aided by members of the LGBTQ+ Forum to help spread knowledge, support and awareness across the Society as part of that event. We created an informative and entertaining video for colleagues covering themes related to the LGBTQ+ History Month topic of activism covering subjects such as LGBTQ+ champions, Pride events, LGBTQ+ sports stars and LGBTQ+ safe spaces.
- We also launched a neurodiversity toolkit for people leaders and colleagues. It aims to build understanding of neurodiversity and demonstrate how, with a little bit of support, all colleagues can understand more about neurodivergence and the adjustments that can easily be made to help everyone reach their full potential.
- To ensure an inclusive recruitment process, we have launched the sharing of interview questions in advance to candidates. We believe this supports candidates to show up as their best selves at interview.

As we move into 2026, we will continue to strengthen:

- Leadership capability across the organisation
- Our listening culture
- Inclusion and diversity, with a focus on sustainable pipelines
- Transparency and engagement during transformation

Board composition, succession and evaluation

On 31 December 2025, the Board comprised ten directors: four executive directors, the Chair, four independent non-executive directors (40%) and one non-independent non-executive director.



Corporate Governance Report continued

As outlined in the introduction to this report, a number of changes to Board composition arose in 2025, full details of which are shown in the table on this page. The process for succession planning and recruitment to support changes in Board composition is discussed in more detail in the Nominations Committee report on page 114.

Date	Board Member	Leavers
28 February 2025	Iain Cornish	Stepped down as Chair and non-executive director
31 March 2025	Gareth Hoskin	Stepped down as a non-executive director, Senior Independent Director and Chair of Audit Committee
23 June 2025	Richard Fearon	Stepped down temporarily as Chief Executive Officer to take a leave of absence
27 November 2025	Richard Fearon	Stood down from the Board
31 December 2025	Andrew Conroy	Stood down from the Board

Date	Board Member	Role Changes
29 January 2025	Pam Rowland	Pam Rowland was appointed a member of the Audit Committee
1 March 2025	Brendan McCafferty	Appointed as Chair of the Board
1 April 2025	Farah Buckley	Appointed as Chair of Audit Committee
1 April 2025	Annette Barnes	Appointed as Senior Independent Director
23 June 2025	Annette Barnes	Appointed as Interim Chief Executive Officer, and stepped down as non-executive director, Senior Independent Director and Chair of Remuneration Committee
23 June 2025	Pam Rowland	Appointed as Interim Chair of Remuneration Committee and colleague engagement champion
23 June 2025	Neil Fuller	Appointed as Interim Senior Independent Director and member of Nominations Committee
November 2025	Arlene Cairns	The Board approved the appointment of Arlene as the incoming Chief Financial Officer. Arlene will join the Board in May, 2026 as the incoming Chief Financial Officer – subject to regulatory approval.

Election and re-election of directors

Following their initial appointment by the Board, all directors must be elected to the Board by members at the annual general meeting (AGM). Following their initial election, all directors stand for annual re-election at the AGM, and their continued appointment is dependent on their successful re-election each year. The Society's rules permit members to be nominated for election to the Board, subject to compliance with PRA and FCA requirements.

Board conflicts of interest

All directors have a duty to disclose and notify the Board of any potential, or actual conflicts of interest which should then be considered and, if appropriate, approved by the Board. The Board has Conflicts of Interest Standards which set out the policy and procedures for declaring and authorising any conflicts of interest, provides examples of what would constitute a conflict of interest and refers Board members to the Secretary for advice where required.

A detailed register of any potential or actual conflicts of interest is maintained by the Secretary and is submitted to the Nominations Committee and to the Board for review and consideration at least annually, to ensure that all declarations remain acceptable. The Secretary also asks Board members to confirm periodically if there have been changes or updates to the register. The Chair will also discuss any potential or actual conflicts of interest with each non-executive director in their annual appraisal and will update the Board thereafter should there be any changes.

Additional roles and time commitment

The expected time commitment for non-executive directors is usually a minimum of three days per month and six days per month for the Chair.

All new Board candidates are required to provide details of any other external appointments or positions they hold, to ensure they have sufficient capacity to undertake the role and to assess if there are any potential, perceived or actual conflicts of interest arising from their other appointments.

Before committing to any additional external appointments, directors are required to disclose details of the appointment, the time commitment for the role and whether there is any potential, perceived or actual conflict of interest. Approval from the Board is required before any new additional roles can be accepted.

The table below outlines changes to additional appointments which occurred during the year.

Director	Entity	Role	Month
New appointments			
Andrew Greenwood	Leeds Teaching Hospitals NHS Trust	Non-Executive Director	October 2025
	Shared Ownership Code Limited	Non-Executive Director	November 2025
Cessations			
Farah Buckley	Long Term Assets Limited	Chair/Non-Executive Director	January 2025
Andrew Conroy	Leeds Mortgage Funding Limited	Executive Director	December 2025

Each year, Board members are also requested to attest if the level of time commitment to their other roles has changed. This is then assessed by the Nominations Committee, and an update is provided to the Board. In 2025, it was considered that all members of the Board had sufficient time to fulfil their role.

As disclosed in 2024, Farah Buckley previously held more than the prescribed number of directorships under Article 91 of the Capital Requirements Directive IV and SYSC 4.3A.6R/GOR 5.5, which stipulates a maximum of four non-executive directorship roles can be held by a member of the management body. Owing to the non-material nature of some of Farah's additional roles and low time commitment, the regulators agreed to a modification of the rules (under Section 138A of the FSMA) up until 1 June 2025. Farah stepped down from her position with Long Term Assets Limited in January 2025 and a waiver is therefore no longer required.

A list of all external directorships held by Board members is shown in the Annual Business Statement on page 219.

Board independence

The independence of our non-executive directors is considered annually by the Nominations Committee and is assessed against the criteria set out in the Code. In 2025, the Nominations Committee and the Board agreed that all non-executive directors, with the exception of David Fisher, were considered to remain independent in character and judgement and that there were no business or other circumstances which were likely to impair their independence.

David Fisher continues to display independent character and judgement, however, and as disclosed in previous years, he has been considered as a non-independent director since December 2023, owing to his tenure on the Board beyond the nine year term. In accordance with the Code requirements, David remains as a member of the Society's Board only and, whilst he attends certain Board committees, he is not classed as a member. It was agreed in 2023 that David's position would continue for up to a further three years (to November 2026) to provide continuity and to support the changes on the Board.

Board and committee effectiveness

The 2024 external evaluation of Board effectiveness concluded in January 2025 with the Board attending a workshop to discuss the output from the previous year's review. A follow up meeting was held in May, where commitment to three rituals to support enabling the desired shifts were agreed: (a) Building relationships, (b) Embracing challenging conversations, and (c) Productive meetings. A pragmatic discussion on the prerequisites for a 'good Board meeting' also generated tangible actions relating to the agenda design.

The 2025 Board Effectiveness Review was an internal process and comprised of a questionnaire for members of the Executive Committee and Board, representatives from Ernst & Young LLP, as the external auditor and Katherine Tong as Secretary. The final part of the proposed questionnaire explicitly revisited the areas of focus agreed following the 2024 review and invited feedback on progress and tangible next steps.

In addition, one Audit Committee and one Board Risk Committee meeting were assessed. The questionnaire results were considered alongside the skills matrix and results from other Board Committee effectiveness reviews. The results were presented to the Board in November, and it was concluded that the Board continued to operate effectively, recognising the significance of sustaining this effectiveness during ongoing organisational change and recent leadership transitions.

Every year members and regular attendees of each Board committee also complete a series of questions regarding the Chair and committee's effectiveness and performance. The results of these questions help identify areas of improvement as well as training and development opportunities. In 2025 the evaluation process concluded that all Board committees were operating effectively. More information about the effectiveness results for individual Board committees is contained in each individual committee's report: Nominations page 117, Remuneration page 146, Board Risk page 126 and Audit page 124.

Directors' induction

New directors receive a tailored induction programme aligned to their experience and responsibilities. The programme provides a clear understanding of the Society's operations and governance framework, with a strong focus on Board and committee roles, decision-making processes, and accountability within the governance structure. An example of a typical induction programme is set out below.

Induction timeline

Pre-appointment	Initial integration Months 0-1	Observation & learning Months 2-4	Stakeholder engagement Months 3-5	Performance review End of Month 6
<ul style="list-style-type: none"> Share formal appointment letter, roles & responsibilities, and governance policies. Provide access to key documents: Society's Rules, Memorandum, our directors' information manual, business model, responsible business framework, Board papers (last 12 months), and previous Board effectiveness review summary. 	<ul style="list-style-type: none"> Meet with Chair and CEO to discuss strategic priorities, market trends, and objectives. Meet with Society Secretary to review Board duties, regulatory obligations, and our governance structure. Attend introductory meetings with chairs of relevant Board committees. 	<ul style="list-style-type: none"> Attend Board and committee meetings as an observer to understand discussion flow and agenda structures. Debrief with committee Chairs and relevant committee members directors after initial attendance. 	<ul style="list-style-type: none"> Visit operational areas (branches, teams, key departments) to gain insight into operations and culture. Conduct one on one sessions with senior executives (for example CFO, CRO, COO) to deepen governance understanding. 	<ul style="list-style-type: none"> Feedback session with Chair to evaluate integration and contribution. Complete self assessment and induction checklist to identify strengths and development areas.

Individual director evaluation and appraisal

Director performance is assessed through ongoing dialogue, supplemented by a formal annual appraisal conducted at the end of each calendar year. The appraisal process includes a discussion on each Board member's personal development, any training needs, their contribution to Board and committee discussions, and any reflections they may have on key matters.

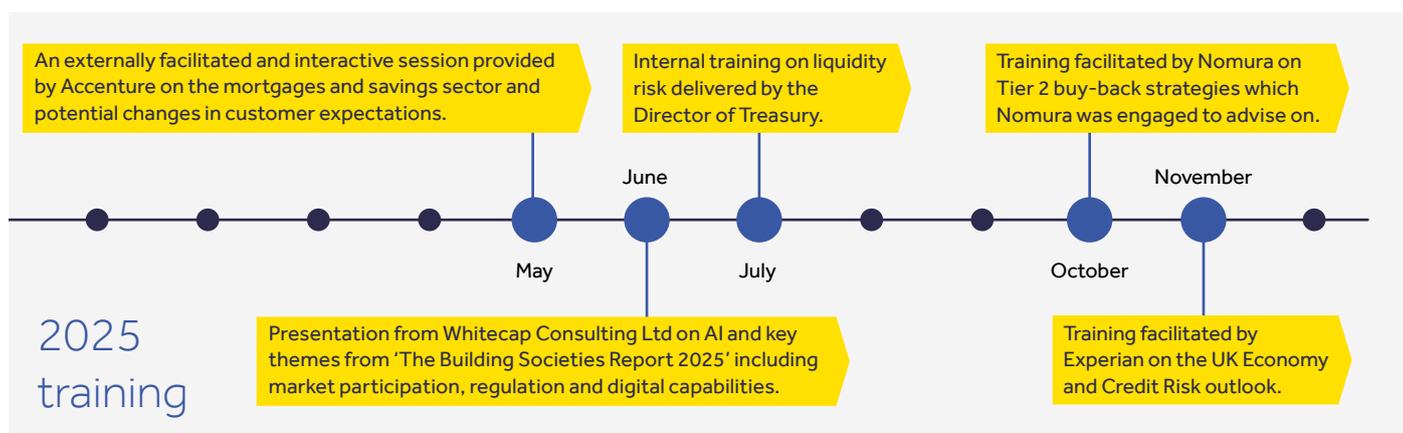
As part of the process, the Chair also seeks confirmation that each non-executive director continues to have sufficient time to discharge their fiduciary responsibilities and that no actual or potential conflicts of interest exist that could impair their ability to perform their role effectively. The outcome of non-executive director appraisals is discussed by the Nominations Committee.

The former Chair's performance was evaluated by Gareth Hoskin as the Senior Independent Director at the time, and it incorporated feedback provided from both the non-executive and the executive directors. The outcome of the appraisal was shared at the January 2025 Board meeting, and it was agreed that the Chair was considered to be performing effectively in his role. It was also noted that due to the Chair leaving in February, the discussion had very much centred on the handover process and there were no material points to raise with the Board. Brendan McCafferty's performance, as the incoming Chair, was assessed by Neil Fuller, the current Senior Independent Director, and will be reported to the Board in January 2026.

Board training

The Board and committees receive training throughout the year. Members of the Board are invited to suggest topics and themes where training and development is required. Training is also provided through the Board committees, details of which can be found within each individual committee report.

In 2025, the Board received training on several topics including:



Audit, risk and internal control

Our internal governance arrangements continue to underpin the independence and effectiveness of the Internal Audit function and safeguard the integrity of our financial statements. Further detail on the work of the Audit Committee can be found in the Audit Committee Report on pages 118 to 124.

We also operate an Enterprise Risk Management Framework designed to identify, assess and manage risk, monitor the effectiveness of internal controls, and determine the principal risks facing the Society. This supports the delivery of our long term strategic objectives by ensuring robust oversight of our risk environment. An overview of this framework is provided in the Risk Management Report on pages 59 to 85.

Remuneration

A summary of the work undertaken by the Remuneration Committee can be found within the Remuneration Report at pages 130 to 146.

Approved by the Board of directors and signed on behalf on the Board.



Brendan McCafferty
Chair

26 February 2026

Nominations Committee Report

Year ended 31 December 2025

Nominations Committee highlights from 2025

- Brendan McCafferty commenced his role as Chair following his appointment to the Board in 2024
- Appointment of Annette Barnes as Interim Chief Executive Officer (Interim CEO)
- Appointment of a new Chief Financial Officer (CFO)
- Talent/Succession Plan development

List of committee members as of 31 December 2025

- Brendan McCafferty (Chair)
 - Neil Fuller*
 - Pam Rowland
- *Neil Fuller became a member in July 2025 following his appointment as Senior Independent Director and Annette Barnes stepped down as a member following her appointment as Interim CEO, in June 2025.

Number of meetings and attendance

- Four scheduled meetings

The attendance records from each meeting in 2025 are included within the Corporate Governance report. A number of additional ad hoc meetings were held to discuss changes to the Executive Committee and recruitment.

Introduction from the Chair

I am pleased to present my first report as Chair of the Nominations Committee, which summarises our activities over the past year and the role and responsibilities of the committee.

Committee focus 2025

Key areas of focus for the committee in 2025 have included recruitment for the new CFO and considering and agreeing interim plans in response to Richard Fearon, CEO, going on a leave of absence in June. In addition, the committee has commenced steps to find Richard's replacement, following him stepping down in November, as well as giving consideration to other non-executive director roles.

Following Richard commencing extended leave in June, the committee gave careful consideration to the appointment of an interim successor. It was agreed that Annette Barnes would assume the role of Interim CEO, reflecting her six years of service as a non-executive director, her extensive executive leadership experience – including prior CEO responsibilities – and her deep commitment to the Society, its members and its colleagues. The Board was confident that Annette's appointment represented the most appropriate short to medium-term solution, enabling the executive directors to maintain focus on their existing responsibilities as the Society navigates this period of digital transformation.

With the change in CEO and a number of additional changes to Board and senior leadership composition during the year, and on the horizon in 2026, the committee spent considerable time reviewing and agreeing changes to key roles and responsibilities to ensure orderly and timely succession arrangements were in place. Following the announcement in April that Andrew Conroy, CFO, would step down, the committee also agreed a succession and recruitment plan for his successor.

The committee was also focused closely on the outputs of the external Board evaluation exercise which took place in September 2024, and facilitated an internal review based on the agreed actions from the previous year. I am pleased to confirm that the evaluation concluded that the Board continues to operate effectively, particularly through a period of significant change and with focus centered on the delivery of our digital transformation programme. More information on the outcome and the evaluation process is included below and in the Corporate Governance report.

Role and responsibilities

A summary of the committee's role and responsibilities is detailed below.

Nominations Committee responsibilities:

- Oversight of succession planning and pipeline development for directors and the senior leadership team, ensuring an appropriate focus on inclusion and diversity.
- Succession planning for all Board and Board committee roles.
- Oversight of the appointment and induction process for Board candidates.
- The approach to coordination of the internally facilitated annual Board evaluation review.
- Review of the Board Conflicts of Interest Policy, including monitoring any potential, perceived or actual conflicts of interest.
- Ongoing assessment of the independence, additional external appointments and time commitment of non-executive directors.
- Oversight of the Society's governance structure and practices to ensure compliance with the Code and best practice, insofar as it is relevant to a building society.
- Reviewing and recommending the Board Diversity Statement to the Board for approval.
- Oversight of subsidiary governance arrangements.

More information on the committee's roles and responsibilities can be found in the terms of reference (ToR) which are available on our website at leedsbuildingsociety.co.uk/your-society/about-us/board-committees.

Governance

The committee is responsible for ensuring the Board operates within a strong and effective corporate governance framework. During 2025 this has included the activities highlighted below.

- Review of Board committee composition – several changes to committee composition were recommended to the Board following Annette Barnes' transition from a non-executive to executive Board member. This also included changes to the appointments of consumer duty champion and colleague engagement champion. More details are included in the Corporate Governance Report on pages 96 to 111.
- Annual review of the Society's compliance with the Code (as it applies to a building society). Our statement of compliance is found within the Corporate Governance Report on page 88. The FRC expect institutions to 'comply' or 'explain' against provisions within the Code, and in that regard, the Society can confirm a deviation from provision 11 which requires at least half the Board to be non-independent directors, excluding the Chair. As of 31 December, four out of ten directors were independent non-executive directors. The Board continued to have a majority of non-executive directors (60%) versus executive directors (40%) as at 31 December 2025.
- Review of the requirement to appoint a consumer duty champion. Following the FCA's advice that Boards were no longer required to retain this role, the committee reviewed its position and agreed to retain the role for at least 12 months. Anita Tadayon is currently the Society's consumer duty champion.
- Review of both the Corporate Governance and Nominations Committee's reports for inclusion in the Annual Report and Accounts.
- Oversight of the plan for the Board Effectiveness Review for 2025 and reviewing output and action plans from the externally facilitated review in 2024.

Board composition and succession planning

The committee ensures the Board and its sub committees maintain an appropriate balance of skills, experience and diverse perspectives to operate effectively. To support this, it uses a range of information to support its deliberations and planning discussions, including a Board committee composition schedule, Board tenure plan, skills matrix and Board level diversity targets.

Succession planning for non-executive directors, executive directors and Board committees is carried out with an 18-month forward view to prevent gaps in expertise and capability. This supports effective long term planning, promotes the ongoing refresh of skills and experience, and informs search activity for future non-executive directors. The committee also reviews the organisation's leadership needs regularly and ensures a strong, diverse pipeline is in place.

Board committee composition is reviewed at every meeting. The committee receives a schedule highlighting non-executive directors approaching their three, six or nine year anniversaries, and considers re-appointments based on performance, independence, external commitments and development needs, before recommending them to the Board. Composition is assessed to ensure compliance with the Code and the Senior Managers Regime. A skills matrix is used to review the mix of skills, experience and qualifications across the Board, and is considered alongside the Board tenure plan to identify succession priorities.

The committee also provides recommendations to the Board and oversees succession plans for the senior leadership team. To drive progress and ensure diverse talent pipelines are in place for both the senior management and senior leadership teams, it was agreed in 2025 to schedule updates to be provided at each committee meeting, following discussions with the Executive Committee. In 2025, members of the Executive Committee completed psychometric assessments to support their ongoing development.

The strength of our succession plans and internal pipelines were evidenced this year with several internal appointments to the Executive Committee. Including the appointment of Katherine Tong, Society Secretary as Chief Risk Officer. Katherine has been with the Society for over 20 years and, having joined in an operational role, she has held a number of roles within the Risk Division and has been Secretary since 2015. Recruitment of a new secretary is currently underway, and Katherine will continue to act as Chief Risk Officer and Secretary in the interim. Katherine's profile, including details of her previous appointments, skills and experience, is on page 95. In addition, Jon Bailey, previously Director of Finance, was appointed as the Interim CFO from January 2026, until Arlene Cairns takes up her role later this year. Jon has been with the Society since 2022 and has worked closely with Andrew Conroy to transform the Finance division. More information on this appointment is included in the Strategic Report on page 28.

Board recruitment

The recruitment process is managed by our Chief People Officer with oversight and direction from the Nominations committee. A typical process is set out below.

Board recruitment

1. Succession planning	2. Role requirements	3. Agency search	4. Interview process	5. Recommendation
The committee proactively manages Board succession by planning recruitment in line with anticipated term expirations and any upcoming changes to the Board.	Role descriptions, including essential skills and experience, are developed in accordance with succession plans and the Board Skills Matrix.	Alongside our People team, an external search agency is engaged to ensure access to a broad and diverse candidate pool.	Potential candidates are shortlisted and interviewed using objective criteria, with particular emphasis on promoting inclusion and diversity within the Board.	The Nominations committee will make a recommendation for appointment to the Board, once a suitable candidate has been identified.

Appointment of a new Chief Financial Officer – Arlene Cairns

As noted in the introduction, one of the committee's priorities in 2025 was the recruitment for the role of CFO, following Andrew Conroy's announcement to stand down. The committee held several planning meetings to review the skills matrix and assess the desired skills and experience for the role. In addition, a timeline and interview schedule were also developed. The interview schedule included meetings with both the Chair and Chief Executive Officer and a series of 'fire side' chats with the Chair of Audit Committee and members of the executive team. The next stage included two formal panel interviews with members of the executive team and Society Secretary.

Having considered several executive recruitment agencies, it was agreed to engage the services of Warren Partners to assist with the search for a suitable candidate and to provide a shortlist of diverse candidates.

Having followed the interview process outlined above, it was agreed that Arlene Cairns had been successful and was the best candidate for the role and the Nominations Committee recommended her appointment to the Board for approval, which was duly approved. Arlene is due to join the Society as CFO (subject to regulatory approval) in May 2026.

Update to committee compositions

Following Annette's appointment as Interim CEO, she stepped down as a non-executive director and from a number of Board and Board committee roles, including Chair of Remuneration Committee, Senior Independent Director, consumer duty champion, colleague engagement champion, member of Nominations Committee and member of Board Risk Committee. The committee reviewed the skills and experience of the remaining non-executive directors alongside their existing roles and time commitments and recommended the following appointments to the Board, for approval, in the interim. These arrangements will remain in place into 2026 whilst Annette continues to act as Interim CEO and will be reviewed once an appointment for the CEO is made.

- Pam Rowland – Interim Chair of Remuneration Committee and colleague engagement champion
- Neil Fuller – Interim Senior Independent Director and a member of Nominations Committee
- Anita Tadayon – consumer duty champion

Recruitment planning for Chief Executive Officer

Following the announcement in November that Richard Fearon would not be returning to the Board, meetings were held to agree the role description, develop a detailed review of the skills and experience required for the vacancy alongside a timeline for recruitment. The committee will be prioritising the recruitment for this role into 2026, and a further announcement will be made once an appointment has been made. Annette Barnes has reiterated her commitment to acting as Interim CEO until the successor can commence in role.

Board re-appointments

The committee is responsible for reviewing the re-appointment of all non-executive directors at the end of each three-year term. Non-executive directors are usually expected to serve a minimum of two terms. These terms are subject to ongoing performance evaluations and annual re-election by members at the AGM. Non-executive directors may also be proposed for a third term, up to a maximum of a further three years (nine years in total but can be longer in very limited circumstances). On re-appointment, a refresher training programme, informed by their performance evaluation and the future requirement of the role, is provided to each non-executive director as appropriate.

During the year, the committee proposed, and the Board subsequently agreed, the following term extensions:

Name of non-executive	Anniversary	Agreed term extension
Farah Buckley	3 years	6 years – until 01.04.2029
Pam Rowland	3 years	6 years – until 01.05.2029

Board skills matrix review

The committee maintains a comprehensive Board skills matrix, which requires directors to undertake an annual self assessment of their skills and experience. The scope and depth of the matrix reflect the complexity of both executive and non-executive director roles, as well as the regulatory responsibilities and governance standards expected of the Board. Each year, the committee conducts a full review of the matrix. The outcomes of this exercise inform succession planning and recruitment priorities, ensuring the Board and its committees retain the appropriate balance of skills and expertise, and support the identification of any development or training needs.

In 2025, the skills matrix was considered alongside the outputs of the Board Effectiveness Review and the Board tenure plan. This integrated analysis enabled the committee to identify future recruitment priorities and resulted in a recommendation to appoint at least one additional non-executive director.

Other key activities in 2025

Annual review of the non-executive director competency framework and appraisal process

The committee assessed the competency framework and annual appraisal process in July, noting it was compliant with best practice. No additional changes were proposed to the framework itself; however, it was agreed to reflect the output of the Board effectiveness review into the appraisal process and include prompts to promote more developmental and constructive feedback. Non-executive director appraisals, including that of the Chair, take place in November each year with a discussion at the following committee to allow any matters to be raised.

Review of independence and conflicts of interest

During the year, the independence of all non-executive directors was assessed against the criteria set out in the Code and their length of service. With the exception of David Fisher, all non-executive directors were assessed as continuing to be independent. As reported in previous years, David Fisher's appointment was extended into 2026 as a non-independent non-executive director, due to the length of his tenure with the Society.

The committee simultaneously considered potential conflicts of interest by undertaking a review of the Board Conflicts of Interest Register, alongside the external appointments and time commitments held by each director. Further details on the 2025 review process, conflicts of interest, external directorships and the associated time commitments are contained within the Corporate Governance Report.

Board diversity

The committee is responsible for ensuring the composition of the Board and the senior leadership team is inclusive and diverse and we place great importance on developing and meeting our targets in this area. We view diversity as something that is multifaceted and goes beyond what you can see, which is why inclusive practices and supporting all our colleagues to be at their best, is at the heart of our business.

In 2025, the committee reviewed and approved the Board inclusion and diversity statement with a small number of changes to reflect the Society's brand messaging: 'it's better to belong' and to highlight focus on broader people culture activity. The Society's statement on inclusion and diversity is available on the Society's website at leedsbuildingsociety.co.uk.

Our diversity targets set for 2030 remain appropriate and we are proud of the progress we have made at Board level. We do however recognise that we are currently tracking behind our 2030 target for both gender and ethnicity at a leadership level. We are committed to our 2030 targets and have discussed and agreed the actions we need to take with our Executive Committee. As discussed earlier in this report, the committee will receive updates at each scheduled meeting on succession planning and talent development which will ensure focus and positive progress.

The table below sets out the Society's progress against the 2030 targets for gender and ethnicity representation on the Board and in the leadership team, as at 31 December 2025.

Element	Actual position at 31 December 2025	Target for 2030
Board* gender diversity	40%	30% minimum
Board* ethnic minority representation	2 members	1 or more members
Female representation at leadership level**	34.5%	45%
Ethnic minority representation at leadership level**	5.5%	10%

Board and Committee effectiveness

An external review was completed in 2024, in accordance with the recommendations in the Code, to hold an external review every three years. The committee agreed the annual effectiveness review approach for 2025 in July and the review was undertaken in September. More information on the outcome and process followed is included in the Corporate Governance Report on page 110.

The committee undertook an annual internal effectiveness review whereby all members and regular attendees were invited to complete an anonymous questionnaire. The results were considered at its meeting in October 2025, and it was discussed that the committee was operating effectively and there were no significant actions requiring immediate attention. A small number of focus areas were identified:

- Review of opportunities to use externally facilitated training sessions
- Continuous review of talent development and succession planning process – which will be satisfied through planned updates to the committee at each meeting

Looking forward to 2026

In 2026, the committee will continue to focus on ensuring a smooth transition of the Board role changes explained in this report, with focus on the recruitment and appointment of a new CEO, welcoming our new CFO and progressing plans for the recruitment of at least one additional non-executive director.



Brendan McCafferty
Chair of Nominations Committee

26 February 2026

* Including non-executive and executive directors

** Excluding executive directors

Audit Committee Report

Year ended 31 December 2025

Audit Committee highlights from 2025

- Provided oversight of the Society's relationship with the external auditor.
- Annual Report and Accounts recommended to the Board for approval.
- Integrated assurance continues to demonstrate our control environment is effective and proportionate.

Committee membership during 2025

- Farah Buckley (Chair) – member since April 2023.
- Neil Fuller – member since January 2021.
- Pam Rowland – member since January 2025.

Number of meetings and attendance

- Six meetings during the year with 100% attendance from committee members.
- Meetings regularly attended by other Board members including the Chair, CEO and CFO. The Chief Internal Auditor, representatives of the Finance and Risk Divisions and other relevant business areas, plus senior external audit personnel also attend regularly.
- Two private meetings with the external auditor and two with the Chief Internal Auditor, not attended by management.

Introduction from the Chair

I am pleased to present my report on the work of the Society's Audit Committee in relation to the financial year ended 31 December 2025.

The committee comprises solely of non-executive directors so that it is independent of executive management. The committee acts with authority delegated to it by the Board and reports directly to the Board. All members of the committee have recent and relevant financial services experience and competence in accounting, finance or risk management.

Our core responsibilities relate to the following four areas:

1. Appropriateness and integrity of our **external financial reporting**

2. Adequacy and effectiveness of our **systems of internal control** and risk management

3. Effectiveness, performance and independence of the **Internal Audit** function

4. Independence, performance and objectivity of the **external auditor**

In 2025, the economic environment in the UK has remained challenging and uncertain and although interest rates began to fall, the pressure on household budgets remained intense. Against this economic background, mortgage and savings market competition intensified considerably and presented challenges to the Society which are reflected in the work of the committee.

In particular, the challenging economic conditions mean that greater reliance is placed on management judgement in certain areas of financial reporting and committee members have spent considerable time reviewing and challenging these judgements for both the Interim Financial Report and the Annual Report and Accounts.

It is vital that our internal control and risk management systems continue to operate effectively to protect the business and our members in these uncertain times, and all three lines of defence have focused on maintaining a strong control environment. I am pleased that the committee has been able to conclude that the control environment remains effective and proportionate to our operations.

The Internal Audit function continues to provide an effective and independent third line of defence. Internal Audit's regular updates to the committee have generated significant discussion and challenge, so that committee members could be satisfied that their work was focused on the most appropriate areas of risk throughout the year.

What the Audit Committee did during 2025

External financial reporting

The committee reviewed the Society's Interim Financial Report, published in July, and its Annual Report and Accounts, on behalf of the Board. Following detailed discussions and challenge of management, we were able to recommend these to the Board for approval. All Board members either attended the committee meetings where the final financial statements were reviewed or received an individual briefing from the Audit Committee Chair, so that all directors were aware of the matters discussed and the challenges raised with management.

The committee also provides oversight of the Society's regulatory reporting and Pillar 3 disclosures. We considered material overarching judgements applied by management in the preparation of these reports and approved the governance arrangements around their production, noting the assurance provided by the second line Risk Division.

Preparation of the financial statements requires management to adopt certain accounting policies as appropriate for the business and to make judgements, estimates and assumptions. Further details of the work undertaken to examine and challenge the most significant areas are set out in the table overleaf, with additional information in note 2 of the accounts. Having considered and challenged management and the external auditor's reports on the approaches adopted, we were able to conclude that they were appropriate.

The Board has also asked the committee to confirm that the Annual Report and Accounts, as a whole, presents a fair, balanced and understandable view of the Society's position and prospects. In assessing this, we considered the process for the production, review and challenge of the report and whether this would result in a balanced and consistent report.

We read the narrative sections of the report, considering whether the content was consistent with our knowledge and understanding of the business and the wider environment, as well as other information provided to the Board throughout the year.

Audit Committee Report continued

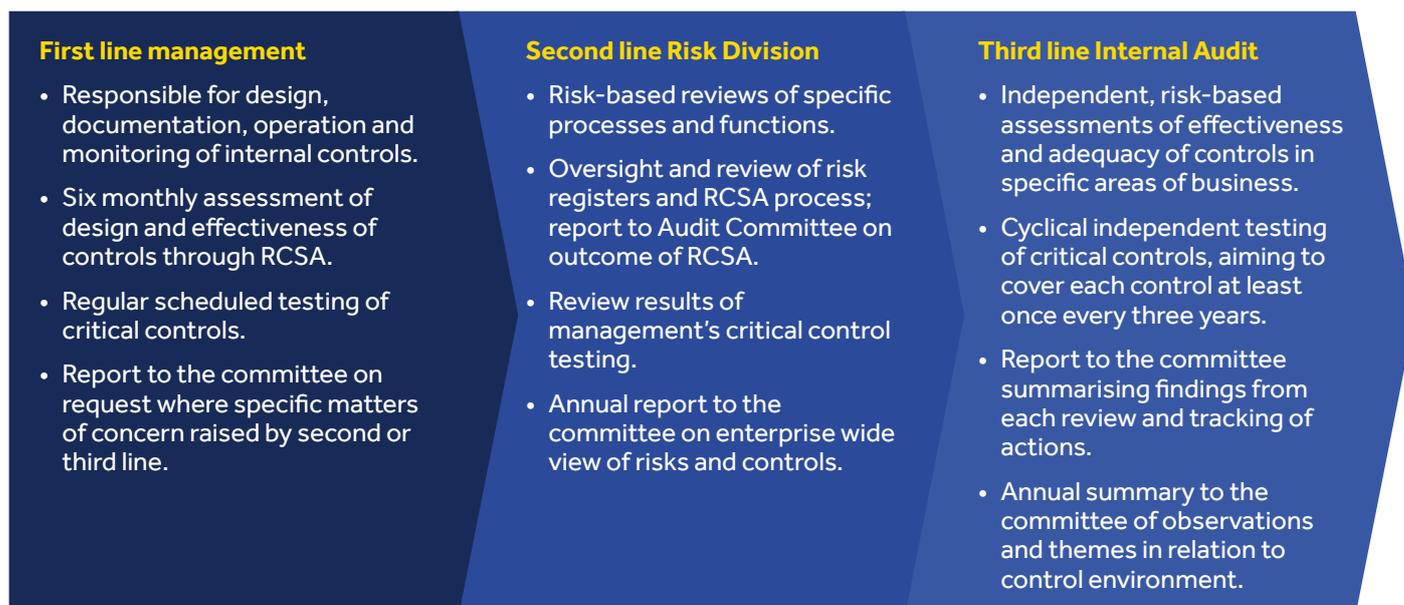
Area of focus	How the Audit Committee responded
<p>Residential expected credit loss provisions</p> <p>Under IFRS 9 – Financial Instruments, we are required to hold impairment loss provisions against our financial assets, calculated on an expected credit loss basis.</p> <p>For residential mortgages, these provisions are calculated using complex statistical models which incorporate historical default and loss experience information.</p> <p>Significant judgement and estimation is required in determining whether there has been a significant increase in credit risk, in setting forward looking economic scenarios and the probability weighting of those scenarios.</p> <p>Management judgement is also required on the nature and size of post model adjustments where risks are identified that are not sufficiently covered by the modelled provisions and scenarios.</p> <p>Further details of the estimates and judgements used are set out on pages 171 to 179.</p>	<p>We were supported in our assessment of residential expected credit loss provisions by the MRSC, which reviewed any model changes during the financial year, and Credit Committee, which approved the approach to the non UK loan portfolio and provided preliminary approval of the final provisions, including PMAs.</p> <p>Despite evidence of a modest improvement in economic conditions during 2025, the external environment remains uncertain, which has provided a challenge when selecting appropriate economic scenarios for provisioning. Management's proposed scenarios and weightings were initially reviewed and refined by the Balance Sheet Optimisation Group before being presented to the committee for feedback ahead of reporting dates.</p> <p>To support the committee's review of the assumptions, management provided benchmarking information and comparison to external third party forecasts. We also noted the challenge to specific assumptions provided by the external auditor and management's response to this.</p> <p>Management proposed that one additional PMA, which addressed the residual risk in a limited subset of legacy shared ownership cases, where historical documentation retention may restrict recoveries under the Mortgagee Protection Clause resulting in losses. We challenged management's assumptions and concluded that the post model adjustment appropriately captured a risk that wasn't reflected in the existing models.</p> <p>In January 2026, management reported to us their final proposed provisions, including PMAs. These were supported by key metrics such as coverage rates and proportions of loans in Stages 2 and 3, benchmarking data and sensitivity analysis. The committee assessed the work performed and asked questions on the approach taken.</p> <p>Having considered management's reports, the assurance from other committees and feedback from the external auditor, we concluded that the ECL models remain appropriate, the assumptions used are reasonable and that the PMAs at the 2025 year end are appropriate in the circumstances.</p> <p>Therefore, the committee concluded that the level of impairment provisions at 31 December 2025 is reasonable.</p>

Area of focus	How the Audit Committee responded
<p>Fair value of the collateral loan which represents a pool of equity release mortgages</p> <p>We hold a collateral loan to a third party which represents a pool of equity release mortgages acquired from that third party, which is measured at fair value through profit or loss.</p> <p>Since open market prices are not readily available, the fair value of this loan is calculated using a model which requires a combination of market data and unobservable inputs.</p> <p>The key estimates and sensitivities are shown on page 178 to 179.</p>	<p>The model used by management to calculate the fair value of the collateral loan underwent an in depth review in 2024 and remains appropriate. The assumptions used in the model are primarily evidence based, using historic data on the performance of the underlying mortgages or external market data. However, a significant level of judgement is required in selecting the discount rate to be used and management refresh their calculation at the end of each reporting period so that the rate applied is aligned to the current interest rate and economic environment.</p> <p>Management explained the assumptions used, the judgements applied in deriving these for the interim and year end accounts and the sensitivity of the model output to changes in these assumptions. We probed the approach taken and questioned management on the magnitude of the changes in assumptions.</p> <p>We also asked management to set out the rationale to justify the overall movement in fair value for the year, noting the interaction with the fair values of the associated derivatives. We received and discussed this information at the January 2026 meeting.</p> <p>Since there is no directly comparable market data available and a significant level of judgement is required in the valuation, a wide range of valuations could be considered reasonable.</p> <p>Taking into consideration management’s explanations, the sensitivity analysis provided and the views of the external auditor, the committee concluded that the fair value recorded in the financial statements for the collateral loan was within a reasonable range.</p>
<p>Fair value of the RPI linked derivative hedging the collateral loan (equity release swap)</p> <p>We hold derivative financial instruments to mitigate risks from movements in market rates.</p> <p>The valuation of the RPI linked derivative hedging the collateral loan requires management judgement in the modelling approach and assumptions used.</p>	<p>The RPI linked derivative is valued using a discounted cash flow model which is governed by the Society’s model risk policy.</p> <p>The majority of the assumptions in the model are derived from market observable data, with the only significant unobservable input being the profile of the swap balance. Since this is a ‘balance guaranteed’ swap, this is assumed to match the modelled profile of the underlying equity release mortgages.</p> <p>Having considered management’s valuation, the rationale supporting this and the results of the external auditor’s independent valuation, the committee concluded that the valuation of the derivative in the accounts is appropriate.</p>
<p>Going concern assessment and Viability Statement</p> <p>The directors are required to prepare the financial statements on a going concern basis, unless they consider that it is inappropriate to presume that the Society will continue in business for the next 12 months.</p> <p>The Board is also required to provide a statement on the longer term viability of the Society.</p> <p>These assessments have been delegated to the Audit Committee.</p>	<p>Management provided the committee with reports to support the going concern assumption for the Interim Financial Report and Annual Report and Accounts. Those reports drew on data used by the Society to forecast and monitor key factors including profitability, liquidity, capital and operations. No matters were identified that would indicate that the Society would not be able to continue to operate over the period of assessment, even in the event of an economic downturn or adverse stress.</p> <p>In order to support the directors’ conclusions on viability, management provided a report to the BRC reviewing principal and emerging risks. This report set out details of the stress testing undertaken in respect of those risks, including the ICAAP, ILAAP, recovery plan and reverse stress testing.</p> <p>Having considered the outcome of this review and other evidence presented to the committee through the year in relation to our risk management processes, including the annual reports produced by the second and third lines of defence, the committee was also satisfied that the Viability Statement is appropriate.</p>

Systems of internal control

Maintaining effective systems of internal control is crucial for the Society to be able to deliver our purpose and to safeguard our members' money and our own assets. We operate an ERMF, which is designed to encourage a culture of sound risk management and internal control. This is overseen by the BRC and delivered through established governance mechanisms and a three lines of defence assurance model. Further details on the ERMF can be found on pages 37 to 40.

The Audit Committee is responsible for reviewing the adequacy and effectiveness of these controls and risk management systems and we are supported by all three lines of defence, as part of an integrated assurance model, to carry out our duties as set out below.



The committee reviewed and approved the 2025 work plan for the second line prudential risk and compliance monitoring teams and the Internal Audit plan, which is refreshed on a quarterly basis to allow a focus on the most important areas at a particular time and takes into account reviews undertaken by the second line as part of an integrated assurance model.

The annual report from the Risk Division showed that our control environment is effective and proportionate to our operations. Identified control weaknesses are being adequately addressed by management, with ongoing remedial actions. The focus from Risk during the year has been balancing business as usual risks with the risks that arise from a major multi-year technology transformation programme whilst ensuring that the programme delivers appropriate compliance with our internal policies.

Internal Audit concluded that the Society's risk and control framework is mostly adequately designed and operating effectively, with some areas for improvement. Overall, it did not find any control weaknesses likely to be material to the financial statements based on the assurance work delivered.

The external auditor also assesses the design and effectiveness of certain financial reporting, operational and IT controls as part of its procedures to reach an audit opinion on the Annual Report and Accounts. The auditor reported its findings to the committee and no material issues were raised in this report.

Overall, based on this year's review and the evidence provided by all three lines of defence, the committee concluded that the Society has adequate and effective systems of control and risk management in place, which has allowed risks to be appropriately identified and managed.

Internal Audit

Internal Audit plays a vital role in the ERMF because it acts independently of the rest of the business to provide a reliable third line of defence. The Board has delegated the role of overseeing the effectiveness, performance and independence of the Internal Audit function to the Audit Committee. The Chief Internal Auditor reports directly to the Chair of the Audit Committee to maintain their independence from executive management. In January 2025, we approved the Internal Audit Charter and ToR which detail the scope, purpose, authority and responsibilities of the function and reflect the expectations of the new Global Internal Audit Standards and the UK Institute of Internal Auditors' new Code of Practice. The previous Chair of the Audit Committee and I also reviewed the Chief Internal Auditor's objectives for the year. Internal Audit provides an annual declaration of independence, which confirmed that there was no impairment of its independence.

Internal Audit provides regular reports to the committee setting out progress against the plan of work and the latest plan for upcoming reviews, together with updates on resourcing and performance metrics. We assessed the coverage provided by the audit plan and the effectiveness of delivery and debated any challenges arising with the Chief Internal Auditor. We probed on the approach to auditing systems that are expected to be decommissioned as part of the core systems replacement programme and Internal Audit presented further information to clarify the risk coverage.

We received the results of all audits conducted by Internal Audit and enquired about how the risks identified may evolve during the business changes underway. In 2025 Internal Audit pivoted to providing additional thematic commentary, which drove wider conversation at the committee, including around siloed working and third party management. Updates on Internal Audit coverage of the core systems replacement programme were provided directly to the Board during the year to avoid duplication of reporting, although we continued to receive and review the outputs of Internal Audit's work supporting integrated assurance on the programme and considered the resource available to provide coverage of the programme.

Following the introduction of Internal Audit's 2024-26 Vision in February 2024, we received half-yearly updates on Internal Audit's progress in implementing the Vision. We engaged with industry thought leaders during a session run by an external partner on the future of internal audit as a profession and assessed the function's response to this through the continuous improvement roadmap. We welcomed the continued focus on developing technical and human skills concurrently, which aligns to the Internal Audit Vision. We confirmed that, alongside implementation of the Vision, Internal Audit would continue to be focused upon high quality assurance on key risks. We evaluated the function's proposed quality metrics in February, noting both the internal peer and periodic external file review. We agreed that the Chief Internal Auditor would commission an external file review, which was completed in December for results to be presented to the January 2026 Audit Committee.

Based on work throughout the year, the Audit Committee is satisfied that Internal Audit had sufficient resources with the appropriate skills, competencies and qualifications to deliver appropriate coverage of the Society's risk areas. We are pleased to note that the Internal Audit function is independent, effective and compliant with applicable standards.

External auditor

The committee is responsible for overseeing the Society's relationship with the external auditor so that the auditor remains independent and effective. Ernst & Young LLP were appointed as the Society's external auditor in 2024 following a competitive audit tender process in 2022. The current audit engagement partner is Steven Robb.

During the 2025 financial year, the external auditor provided the committee with an audit planning document for review and challenge, setting out the scope, materiality, coverage and timing of the audit work and the qualification and expertise of the audit engagement partner and key members of the audit team. We evaluated the significant risks identified by the auditor against management's assessment of the significant areas of judgement and risks. We also reviewed and approved the auditor's fees.

The external auditor provided us with regular reports on the progress of its work throughout the audit cycle and the areas in which it has challenged management. We discussed these reports during committee meetings with management present and in private sessions with the external auditor. We challenged them on the timing of certain aspects of their work so that potential issues in complex areas of accounting could be identified early and resolved well ahead of the accounts signing.

The committee is responsible for the annual review and approval of our policy on non audit services, including the employment of former partners or staff of the external auditor. The external auditor undertook a number of non audit assignments during the year, including review of the Interim Financial Report and verification of the Group's interim net profit. These assignments were conducted in compliance with the approved policy and occur typically where it is either mandatory or more efficient for the external auditor to perform the work, in light of the information previously reviewed during the audit engagement. Total non audit fees for work undertaken in 2025, including one off items, represented 48% of the audit fees for the year.

The committee satisfied itself that the external auditor is effective and independent.

Other matters

Whistleblowing

The Society's whistleblowing policy is known internally as the Speak Up Standard. Although whistleblowing is a matter reserved for the Board, the Chair of the Audit Committee is the Society's whistleblowers' champion and the committee reviews our policy on behalf of the Board and recommends it for approval.

The committee received an annual report from management on the number and nature of reports submitted and the extent of training and communication to colleagues. The report noted that our approach is fully compliant with regulatory requirements and that there is good awareness amongst colleagues, supported by positive responses to internal colleague survey questions. We have a strong culture where the majority of colleagues feel comfortable to speak up and where survey results identify this is not the case, action is taken to understand why.

Taxation

The committee reviewed and approved our Tax Strategy and Tax Risk Management Policy. As part of the approval of the tax policy, management confirmed to us that the policy had been complied with throughout the year.

Audit Committee effectiveness

Each committee meeting concludes with a review of whether the meeting has been effective and conducted in line with the Society's behaviours. This review includes commentary from independent observers wherever possible.

The committee also undertakes an annual self assessment of its effectiveness, via anonymous questionnaires to all members and regular attendees at meetings. The results of the review were very positive, with anonymised verbatims commenting on the high quality of the reports and papers submitted to the committee, and concluded that the committee had functioned well. The review also concluded that the Chair continues to be effective, actively encouraging debate and seeking input from all committee members and attendees.

The ToR are reviewed annually and updated to align them to the latest governance requirements and best practice. The revised ToR were approved at the meeting in November 2025 and are published on our website at leedsbuildingsociety.co.uk/your-society/about-us/board-committees.

All committee members are required to keep their knowledge and awareness both recent and relevant. The committee is kept up to date with changes to accounting standards and regulatory focus areas for financial reporting through reports and training from management and the external auditor. Separate training materials are also provided where particular topics of relevance are identified by members or attendees. During 2025, additional training topics included: economic and accounting updates together with credit and market risk insights to inform the annual and interim approvals of the Society's financial statements, hedge accounting, future of internal audit and regulatory reporting.



Farah Buckley
Chair of Audit Committee

26 February 2026

Board Risk Committee Report

Year ended 31 December 2025

Board Risk Committee highlights from 2025

- Oversight of the management of emerging risks in the external environment and their potential impact on the Society's risk profile.
- Oversight of the management of risks associated with the Society's multi-year IT change programme, in conjunction with the Board.
- Continue to oversee the embedding of Consumer Duty across the organisation.
- In the context of operational resilience, an annual review of the Society's Important Business Services, Impact Tolerances and scenario testing.
- Review of the Society's inaugural model risk management self assessment and approval of a new AI policy.
- Received assurance over people risks and succession planning, following several changes to the executive team.

Committee membership during 2025

- Neil Fuller (Chair) – member since January 2022.
- Gareth Hoskin¹ – member from November 2015 to February 2025.
- Annette Barnes² – member from February 2019 to June 2025.
- Anita Tadayon – member since October 2021.
- Farah Buckley – member since April 2023.
- Pam Rowland – member since May 2023.
- Brendan McCafferty³ – member from September 2024 to March 2025.

Number of meetings and attendance

- Seven meetings held during the year; and
- 97% attendance from committee members (the attendance record of committee members is set out on page 99).

Introduction from the Chair

I am pleased to present the Board Risk Committee's report for the year ended 31 December 2025.

This report outlines the operations of the committee and summarises its role in overseeing and advising the Board in relation to the Society's current and future risk exposures and effectiveness of risk management frameworks.

During the year, the committee considered the current and emerging risk profile of the Society against a backdrop of ongoing geopolitical/economic uncertainty and increasing competition within core markets. As part of the annual Enterprise Risk Management Framework review, the committee reviewed the suitability of the Framework against prevailing operating conditions, to ensure it remained fit for purpose.

From a financial risk perspective, the committee has closely monitored performance of the credit portfolio under an uncertain economic and competitive outlook and has carefully considered the implementation of revised macroprudential regulation in relation to affordability stress testing for mortgage borrowers.

1 Stepped down from the Board.

2 Stepped down following their appointment as Interim CEO.

3 Stepped down following their appointment as Society Chair.

Board Risk Committee Report continued

Other financial risks under consideration during the year have related to funding, liquidity and market risks, with close monitoring of the impacts from changes to BoE monetary policy and increased competition within savings markets, uncertainty surrounding changes to government policy ahead of the Autumn budget; proposed changes to UK capital frameworks, and the implementation of revised regulatory expectations for the management of model risk.

From a non-financial risk perspective, the committee has focused its efforts on overseeing the embedding of Consumer Duty frameworks across the business and closely monitoring the performance of customer outcomes, against the backdrop of reforms to regulatory rules designed to promote growth and competition.

The committee reviewed an operational resilience self assessment, ahead of the March 2025 regulatory deadline and received a progress update regarding the Society's Cyber Strategy, to ensure that it remained appropriate in the context of an evolving threat landscape.

During the year, there were several changes to the committee's membership. In February 2025, Gareth Hoskin stood down from the committee. I would like to convey the committee's thanks to Gareth for his contribution over the last nine years. In addition, Annette Barnes and Brendan McCafferty were also reclassified as attendees of the committee, following their appointments as Interim Chief Executive and Society Chair, respectively.

Committee operations

The committee consists of four members, all of whom are independent non-executive directors. Full biographies and experience of committee members are set out on pages 89 to 93 within the Governance Report.

At the invitation of the committee, meetings held in 2025 were also attended by the Chair of the Board, a non-independent non-executive director and relevant members of the Executive and Senior Leadership Team, ensuring that the three lines of defence were represented.

The key purpose of the committee is to assist the Board in understanding and managing risk related matters. The committee is responsible for:

- Overseeing the development and effective implementation of the ERMF.
- Reviewing and recommending risk appetite to the Board and monitoring the Society's risk profile within these parameters.
- Identifying and monitoring the profile of current and emerging risks, including those that may threaten the Society's business model, future performance, solvency or liquidity, or increase the potential for customer harm, and ensuring that these are appropriately mitigated.
- Promoting a risk aware culture within the Society.
- Reviewing and recommending to the Board the outputs of key prudential processes (ILAAP, ICAAP, Recovery Plan and Resolvability Assessment), operational resilience assessments and annual assessment of good customer outcomes.
- Ensuring remuneration arrangements reflect appropriate and balanced risk management considerations; and
- Overseeing the activities of the supporting Executive Risk Committees.

A full set of duties is outlined within the committee's terms of reference (ToR). A copy of this document can be found on our website: leedsbuildingsociety.co.uk/your-society/about-us/board-committees.

During the year the committee met seven times. At the beginning of each meeting the Chief Risk Officer provided an update to the committee regarding the Society's current and emerging risk profile. A summary of the activities of each supporting Executive Risk Committee was also provided by their respective Chairs via management information to ensure effective oversight of their operations.

The committee also met privately on two occasions during the year with the Chief Risk Officer to discuss risk matters, without management present.

To support the committee's oversight of key and emerging risks, the committee receives training from internal and external subject matter experts on a periodic basis. During 2025, the committee received training on funding and liquidity risk and the outlook for the UK economic/credit environment.

The committee is required to conduct a self assessment of its effectiveness on an annual basis. The 2025 review was performed using anonymous questionnaires and was completed by committee members and regular attendees. The review concluded that the committee was operating effectively, in accordance with its ToR, with a small number of minor development areas identified, which will be addressed in 2026.

Matters considered by the committee in 2025

The committee had a balanced agenda in 2025, combining challenge and oversight of the Society's current risk profile with assessment of emerging risks. A summary of the key matters considered by the committee during 2025 is set out below.

Enterprise risk (including strategic/business risk)

- **Risk appetite** – the committee conducted a review of the Society's risk appetite statements and metrics in preparation for the 2026 Corporate Plan, ensuring they remained suitable under current operating conditions, whilst continuing to support the longer-term delivery of our Purpose. The committee regularly reviewed the Society's risk performance against risk appetite metrics to ensure that any appropriate action was being taken.
- **ERMF** – the committee reviewed proposals surrounding the maturity of the ERMF, to ensure that our risk management practices remain appropriate, as the Society's strategy and business model continue to evolve.
- **Climate risk** – the committee received an impact assessment of forthcoming enhancements to regulatory requirements for the identification and management of climate-related risks. In addition, the committee also reviewed periodic updates regarding the Society's climate risk exposures and mitigation plans.
- **Emerging external risks** – the committee received regular updates regarding uncertainties in the Society's external operating environment and discussed whether the management response was suitable, including the potential impacts from ongoing geopolitical events and economic uncertainty.
- **Remuneration** – the committee considered a potential performance/risk adjustment to senior management variable remuneration, with recommendations provided to the Remuneration Committee.

Prudential risk (including credit, funding and liquidity, market, capital and model risks)

- **Credit risk** – during the year the committee closely monitored the performance of the Society's lending portfolio, in the context of emerging risks in the macroeconomy. Alongside this, the committee also considered changes to lending policy following a relaxation of macroprudential regulation and heightened competition within core markets, ensuring that potential risks were appropriately managed.
- **Financial risk** – the committee oversaw the Society's response to emerging financial risks (including market risk, funding and liquidity risk and wholesale credit risk), driven by volatility in financial markets, repayment of BoE TFSME funding and geopolitical risks. The committee also considered the potential capital impacts of proposed changes to the UK capital framework, including MREL, Basel 3.1 and the Leverage ratio.
- **Prudential assessments** – the committee conducted an annual review of the Society's ICAAP, ILAAP, Recovery Plan and Resolvability Assessment Framework prior to approval by the Board.
- **Financial risk policies** – several key internal policies that govern management of financial risk, including lending, funding and liquidity, market and wholesale credit risk were considered by the committee, ahead of Board approval.
- **Model risk** – the committee received the conclusions of the Society's inaugural self assessment against PRA SS1/23: Model Risk Principles for Banks and the actions to further embed these requirements across the Society. Alongside this, the committee also approved a new overarching AI policy, which will be used to guide the wider adoption of AI tools over the medium term, and monitored progress with the Society's IRB model remediation plans.

Operational and conduct risk

- **Operational resilience** – the committee reviewed an operational resilience self assessment, which reaffirmed the Society's important business services and associated impact tolerances, as well as evidencing the Society's ability to operate within these tolerances under agreed scenarios, ahead of the March 2025 regulatory deadline.
- **Cyber risk** – periodic updates were received by the committee regarding the external cyber threat landscape, following several external high profile incidents during the year. The suitability of the Society's Cyber Strategy was also reviewed in the context of the evolving threat environment.
- **Outsourcing** – throughout the year, the committee received periodic updates on emerging third party outsourcing and resilience risks.
- **Financial crime** – the committee reviewed the annual MLRO Report and other periodic updates regarding the Society's financial crime control environment.
- **Change risk** – the committee received periodic updates regarding the risk profile associated with the Society's multi-year IT change programme.
- **Consumer Duty** – the committee reviewed and endorsed the Consumer Duty Annual Assessment, ahead of Board approval. On a periodic basis, the committee also received monitoring reports on customer outcomes, and progress updates where further work is underway to better support good customer outcomes.
- **People risk** – the committee closely monitored the evolution of people risks associated with the Society's People Strategy, following a number of changes to the executive team.

Outlook

Over the next twelve months, key areas of focus for the committee in 2026 are expected to include:

- Continued oversight of the key and emerging risks/uncertainties facing the Society, as outlined in the Risk Overview Report on pages 37 to 40.
- Maintaining focus on the risks and mitigants associated with the Society's ongoing multi-year IT change programme.
- The Society's response to proposed changes to regulation and policy, including the UK's capital framework and changes linked to the government's Leeds Reforms package such as ISA reforms and the FCA's discussion paper on the future of the UK mortgage market.
- Oversight of risks associated with competitive pressures in the UK retail financial services market, including pricing dynamics, digital innovation along with AI and member expectations.
- Continue to oversee the potential risks associated with people change in key roles.

I believe that the committee remains well positioned to meet these challenges, as well as supporting the Society in the delivery of our purpose and strategy.



Neil Fuller
Chair of Board Risk Committee

26 February 2026

Directors' Remuneration Report

Year ended 31 December 2025

Remuneration Committee highlights from 2025

- Agreed Society and individual senior leadership team objectives.
- Maintained vigilance on regulatory changes.
- Approved remuneration of material risk takers.
- Reviewed Remuneration Principles Policy and Remuneration Standard.
- Approved the introduction of a new Variable Performance Award for 2026 and revision to the Remuneration Policy.
- Considered matters relating to colleague remuneration and gender and ethnicity pay.
- Discussed and provided feedback on executive and colleague reward strategies.
- Approved bonus outturns and reviewed salaries of the executive directors.
- Approved bonus schemes for 2025 and agreed to equalise the weighting on objectives and behaviours for the senior leadership team.

Committee membership during 2025

- Annette Barnes (Chair) from 1 January 2025 to 22 June 2025 – member since March 2021.
- Gareth Hoskin from 1 January 2025 to 31 March 2025 – member since January 2018.
- Iain Cornish from 1 January 2025 to 28 February 2025 – member since September 2023.
- Neil Fuller – member since November 2023.
- Pam Rowland (Chair) from 23 June 2025 to 31 December 2025 – member since May 2023.
- Brendan McCafferty (Chair of the Board) – member since March 2025.

Number of meetings and attendance

- Seven meetings were held during the year.
- 95% attendance from all committee members.
- Other meeting attendees included David Fisher (non-independent non-executive director), the Chief Executive Officer, Chief People Officer, Reward Lead and Reward Manager.

Introduction from the Chair

I am pleased to present this year's Remuneration Committee report. The report includes a summary of our Remuneration Policy, together with key decisions made in the year.

The focus of the committee is to set our Remuneration Policy, including base pay, variable remuneration and other benefits for executive directors and material risk takers. The committee also has oversight of reward for the wider colleague population, as it relates to the broader culture of the Society.

As a purpose-driven mutual business, we remain committed to ensuring our colleagues are paid fairly and appropriately rewarded for their work. In 2025, our colleague annual pay review award exceeded the pay increase percentage for Executive Directors. We continue to be accredited as a real living wage employer and raised our minimum full time salary to £24,000 last year. Every colleague in the Society is eligible for an annual bonus, allowing colleagues to share in our success and be acknowledged for their contributions. Additionally, we offer a variety of benefits designed to support our colleagues and their families, spanning financial, physical, social, and emotional wellbeing.

In order to maintain this fair and competitive approach to remuneration, the committee has, over the past 12 months, carefully considered the significant changes in the regulatory landscape as well as broader shifts in remuneration practices within the financial services sector. Against this backdrop, the committee believes that now is an appropriate time to review our Directors' Remuneration Policy for the coming years. We are confident that this review will ensure our remuneration practices remain aligned with our purpose, competitive within the market, and underpinned by robust risk management, while safeguarding against any risks that could adversely affect members.

Our members will have the opportunity to vote, on an advisory basis, on both the 2025 Directors' Remuneration Report and our 2026 Directors' Remuneration Policy, at the 2026 AGM. The key features of the new Remuneration Policy are set out in full on page 140 to 142.

Performance and awards 2025

Earlier sections of the Annual Report and Accounts outline the strong progress we have made across our key metrics and against our purpose blueprint, which determines the bonus outturn for 2025.

Directors' Remuneration Report continued

After careful consideration, annual bonuses of between 15.60% and 17.58% (2024: 16.31% and 17.35%) have been awarded for 2025 to the executive directors, which represents between 78.00% and 87.92% (2024: 81.56% and 86.75%) of the maximum award available.

In arriving at the decision to award variable remuneration, a full risk assessment process was undertaken, during which the Remuneration Committee considered a range of factors and received input from the Board Risk Committee. Following full consideration, no adjustment to variable remuneration was deemed necessary and no malus or clawback applied.

2025 remuneration and leadership changes

We review each colleague and executive's salary on an annual basis, to ensure our pay levels remain competitive. The base pay increase for each executive director in 2025 was 3%, which was less than the average increase received by our wider workforce. The Chair and non-executive director basic fees also increased by 3% for 2025, in line with the increase received by the executive directors and following a review of peer and wider market data.

In June 2025, the incumbent CEO, Richard Fearon, began an extended leave of absence and was replaced on an interim basis by Annette Barnes. The Remuneration Committee carefully reviewed the appropriate remuneration for Annette during her tenure as Interim CEO and determined it appropriate to align her remuneration with that of the incumbent CEO.

The Remuneration Committee has also considered a number of other appointments during the year at Executive Committee and director level.

Looking ahead – 2026 remuneration changes

The committee has carefully considered the significant changes in the regulatory landscape, as well as broader shifts in remuneration practices within the financial services sector in recent years. Following a comprehensive market review, supported by independent external remuneration advisors, the committee has determined now is the right time to review our Directors' Remuneration Policy.

To remain competitive and ensure the Society can both attract and retain the senior talent required to deliver value for our members, the current executive bonus scheme will be replaced with a new Variable Performance Award for our senior leaders from 1 January 2026.

The Variable Performance Award will be based on a series of metrics linked directly to member value, the Society's operational excellence and an executive's individual objectives and behaviours. These metrics will help ensure that payments are only made from the plan if the Society functions efficiently, upholds the highest standards, and delivers considerable value to members.

Under the new arrangements, executive directors can earn up to 50% of their salary on target and up to 100% at maximum, with a significant portion deferred for payment in future years.

The Remuneration Committee recognises that this represents a notable increase in the variable pay opportunity for the executive team. However, it considers this necessary to reflect the substantial rises in variable pay introduced by peers in recent years, which have created a widening gap between executive pay levels at the Society and the wider market.

The committee has chosen to increase the variable pay opportunity rather than rely on increases to base salaries. In contrast to base salaries, variable pay is contingent on clearly defined metrics. It is not guaranteed and may be reduced to zero or recouped if performance falls short, or if risk or conduct issues arise. Furthermore, whilst the variable pay opportunity has been increased, the on target award under the new Variable Performance Award has been reduced from 75% of the maximum award available to 50% of the maximum award. Payments at maximum will only be made should a stretching range of metrics be achieved, together with exceptional personal performance and behaviours of the executive. To reflect the increases in variable pay opportunity, executive directors' base salaries will not be increased for 2026.

The Society will also adopt the new requirements of the PRA's Remuneration Code, which include changes to the vesting of deferred awards and the reduction of the deferral period from seven years to four years. In addition, the committee has chosen to introduce a voluntary deferral scheme which will require an executive's Variable Performance Award to be deferred should they exceed a de minimis threshold set by the Society which will be significantly lower than the regulatory requirement. The committee has chosen to adopt this approach to ensure that long term behaviours are incentivised, risk adjustments in later years can be applied on awards if required, and to ensure the new Variable Performance Award helps retain executives.

I trust this report is helpful and informative. The Remuneration Committee recommends that members vote in favour of the 2025 Directors' Remuneration Report and Remuneration Policy.



Pam Rowland
Chair of the Remuneration Committee

26 February 2026

Our Remuneration Policy and principles

The Remuneration Policy is designed to serve the interests of members and stakeholders by:

- Being clearly linked to business objectives.
- Driving behaviours consistent with our purpose, culture, values, and strategy.
- Being structured to attract and retain appropriately skilled colleagues to support the Society's long term interests and to promote a healthy culture.

All our remuneration decisions are based on:

- Objectives which ensure the security of the Society and our members through our purpose, business strategy, values, and long term interests.
- Procedures and practices that are consistent with, and promote, sound and effective risk management. They balance fixed and variable remuneration to create an acceptable relationship between risk and reward.
- Basic salary and total remuneration which are set at a competitive level to attract, retain and motivate colleagues of the required calibre.

Work of the committee

The Remuneration Committee divides its time appropriately and proportionately across the three key workstreams of:

1. Pay policy, strategy, and variable pay design - ensuring that our remuneration programmes are designed in a way that links outcomes to Society performance and operates in a way that promotes sound and effective risk management.
2. Base and variable pay outcomes and oversight of Society remuneration – base and variable pay awards are considered against a full risk assessment, Society performance, and external market practice and trends. Alongside this, appropriate scrutiny and oversight of broader society remuneration takes place to ensure compliance with prevailing legislation, broader Society culture, and alignment with executive compensation outcomes.
3. Governance and regulatory reporting – ensuring that the committee is properly structured and effectively run, and that the committee is properly informed and aware of the regulatory and reporting context that reward management sits within.

Report on Remuneration 2025

Executive director remuneration summary for 2025

The total remuneration received by executive directors for 2025 is detailed below, compared with 2024. The total remuneration for executive directors equates to 1.59% of profit before tax (2024: 1.95%). This information has been audited and shows remuneration for the years ending 31 December 2024 and 31 December 2025, as required to be reported under the Building Societies (Accounts and Related Provisions) Regulations 1998. The awards made in respect of performance in 2025 are in line with the 2025 Remuneration Policy, with a maximum annual bonus of 20% for executive directors.

The Chief Executive Officer is the Society's highest paid colleague. As we are a mutual organisation, we have no share capital and, therefore, do not offer share-based remuneration to executive directors or colleagues.

Executive director remuneration 2025 and 2024 (audited)

Executive directors	Salary £'000		Annual bonus £'000		Retention award (1) £'000		Pension (2) £'000		Total fixed remuneration £'000		Total variable remuneration £'000		Total remuneration £'000	
	Year	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
R G Fearon (3)	651	696	104	122	–	–	73	77	724	773	104	122	828	895
A P Conroy	444	431	71	71	–	–	47	44	491	475	71	71	562	546
A J Greenwood	450	436	70	74	–	–	77	74	527	510	70	74	597	584
R J Howse	415	402	66	69	167	142	43	40	458	442	233	211	691	653
A M Barnes (4)	363	N/A	64	N/A	–	N/A	50	N/A	413	N/A	64	N/A	477	N/A
Total remuneration £'000	2,323	1,965	375	336	167	142	290	235	2,613	2,200	542	478	3,155	2,678

Notes

- (1) The Remuneration Committee approved a retention award, specifically in relation to the successful delivery of the critical, multi-year core system migration programme, for R J Howse.
- (2) All directors elected to receive part or all of the Society's pension contribution as a cash allowance.
- (3) R G Fearon stood down from the board on 27 November. His salary, benefits, and annual bonus are prorated.
- (4) A M Barnes assumed the role of Chief Executive Officer on 23 June 2025; both her salary, benefits, and annual bonus are prorated. Her remuneration in relation to her prior role as a non-executive director is included in the later table of this report.

Leaving Arrangements for Departing Executive Directors

The remuneration arrangements for R G Fearon and A P Conroy, who have stepped down from the Board, have been carefully considered. The leaving terms are in line with our Policy upon Directors exiting the business and were approved by the Remuneration Committee.

R G Fearon stepped down from the Board on 27 November 2025. His salary, pension and benefits in the table above are pro-rated to reflect the period until 27 November 2025. After careful consideration of the achievement against objectives and measures, the Remuneration Committee has chosen to award R G Fearon a bonus for the full year of 2025. The value for the period until the 27 November is stated in the table above, the value of the bonus for the period from 28 November to 31 December is £10,668.

Under the terms of his contract and leaving arrangements R G Fearon will continue to receive his salary of £549,099, plus pension and contractual benefits of £113,950 for the period from 28 November 2025 until 31 August 2026. Upon formally leaving the Society he will receive his remaining Pay in Lieu of Notice of £361,659, compensation for loss of office of £125,000 and legal expenses up to the value of £11,000. R G Fearon has been awarded good leaver status and therefore retains his eligibility for bonus deferrals from prior years. The deferrals will be paid no earlier than they would have otherwise been paid and remain subject to our plan rules, including malus and clawback. R G Fearon will not be eligible for any bonus in 2026.

A P Conroy stepped down from the Board on 31 December 2025 and remained employed by the Society until 31 January 2026. His remuneration for the period to 31 December 2025 is detailed in the table above. Under the terms of his contract and leaving arrangements he continued to receive his salary of £37,312, plus pension and contractual benefits of £17,054 until 31 January 2026. Upon leaving the Society he received his remaining Pay in Lieu of Notice of £74,624, compensation for loss of office of £184,159 and legal expenses up to the value of £3,000. A P Conroy has also been awarded good leaver status and therefore retains his eligibility for bonus in 2025 and his bonus deferrals from prior years. The deferrals will be paid no earlier than they would have otherwise been paid and remain subject to our plan rules, including malus and clawback. A P Conroy will not be eligible for any bonus in 2026.

Annual incentive

For 2025, corporate performance incentive opportunities were based on the performance measures in the following table.

The table also illustrates performance against each of the measures.

Blueprint performance measure	Weightings for maximum (as % of salary)	Pay out %
Deliver the transformative core technology programme	3.34%	2.50%
Embed behaviours and raise the bar on performance	3.33%	2.50%
Advancing our purpose by delivering our ambitious corporate plan & stretch goals	3.33%	3.33%

Notes:

The corporate measures only apply to the Chief Executive Officer, Interim Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. In 2025, the Deputy Chief Executive Officer was responsible for a control function and, therefore, is remunerated on personal objectives only based on a maximum of 20%.

Personal performance for executive directors is out of maximum of 10% (20% for the Deputy CEO, as a control function) and is assessed on personal objectives relating to each executive director's specific role and behaviours. Personal performance achievement for executive directors was in the range of 7.50% to 9.25% (15.60% in respect of the Deputy CEO). Following a thorough risk assessment, as detailed below, no malus or clawback was applied.

Retention award

As reported in 2022, the Remuneration Committee approved a retention award, specifically in relation to the successful delivery of the critical, multi-year core system migration programme, for the Chief Operating Officer, R J Howse.

The third instalment of the retention award of £167,243 was made in 2025, based on the successful delivery of specific project milestones and objectives.

The retention award is part of variable pay and is subject to malus and clawback, deferral and delivery in instruments, as determined by the Remuneration Committee.

Risk assessment

The risk assessment process is independently managed by the Risk function. Following completion of the risk assessment process, the Chief Risk Officer provides an annual report on areas the Remuneration Committee should consider, in respect of whether performance or risk adjustment is necessary to remuneration outcomes. The report is initially reviewed by the Board Risk Committee, which then highlights any specific areas for further consideration to the Remuneration Committee. In addition, the Risk function considers the corporate priorities and personal objectives for executive directors' future year remuneration, to ensure they are aligned with our risk appetite.

The report from the Chief Risk Officer includes an assessment of the current year's performance in the context of objectives for each prior year for which variable remuneration has been deferred.

The individual performance of material risk takers and their teams is risk assessed by reference to a range of dimensions including audit findings, compliance with regulatory policies, compliance with our risk appetite, and general control and governance matters.

The Remuneration Committee, after consultation with the Board Risk Committee and consideration of performance against risk appetites, did not make any risk adjustment for 2025.

Variable pay deferral and share-like instrument

Variable remuneration is subject to regulatory deferral arrangements. For 2025 variable pay, executive directors designated as 'senior managers' have their total variable pay deferred over a period of seven years with 50% delivered in a share-like instrument.

The table below illustrates how the 2025 variable pay for the Chief Executive Officer, Interim Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer and Chief Operating Officer will be delivered:

Variable pay delivery									
Performance year	April following the bonus scheme year	Paid one year later	Paid two years later	Paid three years later	Paid four years later	Paid five years later	Paid six years later	Paid seven years later	Paid eight years later
Annual bonus scheme	40% of the bonus is awarded in the following scheme year. 50% of any award will be delivered in a share-like instrument.		60% of the bonus will be deferred, over a period of seven years with no vesting until three years after the award is made. 50% of any award will be delivered in a share-like instrument.						
	20% cash			6% cash	6% cash	6% cash	6% cash	6% cash	
		20% share-like instrument			6% share-like instrument				

Pensions and other benefits

A J Greenwood, R J Howse and A M Barnes have opted for a cash allowance in lieu of the Society's pension contribution. R G Fearon and A P Conroy opted to receive pension benefits as part contributions to the defined contribution section of the pension scheme and part cash allowance, in lieu of the Society's pension contribution.

A M Barnes is reimbursed for travel and accommodation in relation to her role as Interim CEO, and any tax liability arising from these expenses.

No executive director has the right or opportunity to receive enhanced benefits beyond those already disclosed, and the committee has not exercised its discretion during the year to enhance benefits.

Long term incentive awards made in the financial year

No long term incentive awards were made in the financial year to executive directors.

Payments for loss of office

Executive directors may be entitled to receive compensation for loss of office. Such payments will be based on the monthly salary and pension contributions that the executive would have received if still in our employment.

There were no payments for loss of office made in the financial year to executive directors.

Remuneration for material risk takers in 2025

Material risk takers are senior managers who include executive and non-executive directors, chief officers and directors whose actions have a material impact on the risk profile of the Society.

The basic salary or fees of material risk takers is determined to reflect the responsibilities of the role. Salaries are reviewed annually, as for all colleagues. Material risk takers, other than non-executive directors, are eligible for an annual bonus scheme. The bonus scheme for material risk takers in control functions is based on the achievement of non-financial objectives. In 2025, there were 32 material risk takers during the year.

Remuneration for non-executive directors (audited)

Non-executive director fees are set at a level that aligns with market conditions and is sufficient to attract and retain individuals with appropriate knowledge and experience whilst reflecting the level of responsibilities and time commitment required for Board and Board committee meetings.

Non-executive directors receive a basic fee and an additional fee for further duties (for example, Chair of a committee or Senior Independent Director responsibilities).

To ensure compliance with the Remuneration Policy and to ensure that individuals are not participating in discussions relating to their own remuneration, non-executive director fees are reviewed annually by the Executive Committee, in line with the framework for setting and approving fees agreed by the Board. The Chair's fee is reviewed by the Remuneration Committee (with the Society Chair recused) and is in line with the Remuneration Policy, which is to offer fees that are competitive when compared with similar financial services organisations.

Non-executive directors are reimbursed for travel expenses for attending meetings and, where tax liability arises for these travel expenses, this will be covered by the Society.

Non-executive directors receive a basic fee and an additional fee for further duties (for example, Chair of a committee or Senior Independent Director responsibilities).

Non-executive directors	Basic fees (£'000)		Benefits and expenses (1) (£'000)		Committee chair/ other fees (£'000)		Total (£'000)	
	2025	2024	2025	2024	2025	2024	2025	2024
B McCafferty (Chair) (2)	161	19	11	5	–	–	172	24
I C A Cornish (Chair) (3)	29	174	1	5	–	–	30	179
G J Hoskin (Vice Chair) (4)	14	58	–	3	7	25	21	86
A M Barnes (5)	28	58	4	8	10	18	42	84
D Fisher	59	58	1	–	–	–	60	58
N A Fuller (6)	59	58	5	3	22	18	86	79
A Tadayon	59	58	6	8	–	–	65	66
F Buckley (7)	59	58	5	3	14	–	78	61
P Rowland (8)	59	58	6	6	10	–	75	64
Total	527	599	39	41	63	61	629	701

Notes

- (1) In addition to the payment of fees, non-executive directors are reimbursed for travel expenses for attending meetings and, where tax liability arises, this will be covered by the Society.
- (2) This individual assumed responsibility for Chair of the Board in March 2025.
- (3) This individual left the Society in February 2025.
- (4) This individual left the Society in March 2025.
- (5) This individual assumed the role of Interim CEO in June 2025 and rescinded her position as a non-executive director. The remuneration stated relates to her time as a non-executive director only.
- (6) This individual became a interim Senior Independent Director in June 2025.
- (7) This individual assumed the role of Audit committee Chair in April 2025.
- (8) This individual assumed the role of Remuneration Committee Chair in June 2025.

Non-executive directors (including the Chair) received an annual basic fee increase of 3% in April 2025, in line with the senior leadership colleague population.

From 1 April 2026, non-executive director fees will increase by 3% in line with colleague pay. The only exception is the Senior Independent Director fee, which will increase from £7,128 to £10,000, following an extensive market benchmarking exercise. The following fees will apply from this date:

Role	2026 Fee
Chair of the Board	£185,954
Senior Independent Director	£10,000
Non-executive director base fee	£61,606
Committee Chair (Audit, Risk, Remuneration)	£19,414

Payments to former directors

A payment of £25,307 has been made in 2025 to P A Hill, the former Chief Executive Officer, who retired on 30 June 2019. A payment of £20,662 has been made in 2025 to R S P Litten, the former Chief Financial Officer, who left the Society on 18 April 2019. The bonus payments consisted of deferred incentive awards, which are assessed in full when they are awarded. All these payments were subject to risk assessment and the committee determined no risk adjustment was required.

Directors' Remuneration Report continued

Chief Executive Officer (CEO) pay ratio

The Companies (Miscellaneous Reporting) Regulations 2018, came into force for accounting periods starting from 1 January 2019 and requires the publication of the ratio of the CEO's single figure total remuneration. We have chosen to use the government's preferred methodology (option A), which determines the total full time equivalent total remuneration for all colleagues for the relevant financial year, and compares the median, 25th and 75th percentiles against the CEO single figure. The CEO single figure reflects the prorated total remuneration attributable to R G Fearon and A M Barnes for the periods during which each held the role of CEO in 2025.

Year	Method	25th percentile	Median	75th percentile
2025	Option A	30:1	21:1	13:1
2024	Option A	31:1	20:1	14:1
2023	Option A	31:1	21:1	14:1
2022	Option A	30:1	20:1	13:1
2021	Option A	30:1	20:1	13:1
2020	Option A	32:1	21:1	14:1
2019	Option A	32:1	22:1	15:1

The remuneration below is calculated in respect of the year ended 31 December 2025:

Remuneration element	25th percentile (£)	Median (£)	75th percentile (£)
Total pay and benefits	£30,917	£45,785	£69,365
Salary	£26,016	£38,934	£58,215

Directors' loans, transactions and related business activity

The aggregate amount outstanding at 31 December 2025 in respect of loans from the Society or a subsidiary undertaking to directors of the Society or persons associated with directors was nil (2024: nil), being nil mortgages (2024: nil) to directors and persons connected to directors. A register of loans and transactions with directors and their connected persons is maintained at the Head Office of the Society and may be inspected by members. There were no significant contracts between the Society or our subsidiaries and any director of the Society during the year.

History of remuneration of Chief Executive Officer

The table below shows the total remuneration of the Chief Executive Officer, Richard Fearon, over the last six years, together with the performance pay awarded as a percentage of the maximum possible.

Year	Total remuneration £'000	Performance pay as % of maximum
2025	828 (1)	79.17
2024	895	86.75
2023	862	90.44
2022	752	93.42
2021	695	94.02
2020	684	82.85

Notes

(1) R G Fearon stood down from the board on 27 November. His salary, benefits, and annual bonus are prorated.

Percentage change in salary for Chief Executive Officer

The basic salary of the Chief Executive Officer increased by 3% during 2025. An average annual increase of 3.48% in basic pay was awarded to all colleagues. The annual change of each individual executive director's pay, compared to the annual change in average colleague pay is detailed below.

	Annual increase
Chief Executive Officer	3%
Deputy Chief Executive Officer	3%
Chief Financial Officer	3%
Chief Operating Officer	3%
Minimum salary	4.35%
Colleague average	3.48%

Relative importance of spend on pay

The following table sets out the percentage change in profit and overall spend on remuneration in the year ending 31 December 2025, compared to the previous year.

	2025	2024	Percentage change
Profit after tax	£145.5 million	£99.9 million	45.6%
Colleague remuneration costs	£93.8 million	£85.2 million	10.1%
Headcount	1,874	1,846	1.5%

External advisers to the Remuneration Committee

The committee seeks input from the Chief People Officer, the Reward Lead, and the Chief Executive Officer, who are invited to attend meetings. The committee also benefits from specialist advice when required from appropriate independent remuneration advisors (PwC LLP and KPMG LLP). PwC LLP and KPMG LLP advised management, in support of committee activity, in 2025 and have each separately confirmed they do not have any conflicts of interest in advising the Remuneration Committee.

Policy review

The Remuneration Policy is subject to an annual review of both its content and implementation and is approved by the Remuneration Committee. The Board Risk Committee also contributes to the policy review, to ensure it takes sufficient account of risk considerations.

The Remuneration Policy and arrangements meet regulatory requirements, including the FCA Dual-Regulated Firms Remuneration Code, PRA Rulebook, and good corporate governance practice.

Vote

Members are asked to vote on the Remuneration Policy at least every three years, or earlier if the policy changes. The current Remuneration Policy took effect from the date of the 2024 AGM and will be brought forward to members to vote upon at the AGM, as detailed in the next section.

Annual General Meeting 2025 results – Directors' Remuneration Report

Resolution 3	% votes for	% votes against
Directors' Remuneration Report	93.31%	6.69%

Executive directors' remuneration changes for 2026 Financial Year

The following table summarises the principal components of the Directors' Remuneration Policy for 2025 and the proposed changes. These changes will be brought forward for members to vote upon, on an advisory basis, at the 2026 AGM.

Type	Remuneration Element	Current policy	Proposed policy
Fixed remuneration	Basic salary	<p>Provides ability to attract and retain executives through market competitive rates of pay.</p> <p>The basic salaries of executive directors are reviewed each year, as for any other colleague, based on the economic environment, the overall financial position of the Society and in accordance with benchmarking.</p> <p>The only exception is if there is a material increase in scope or responsibility to the executive director's role.</p>	No change
	Pension	<p>Based on membership of the Society's defined contribution section of the pension scheme. In appropriate circumstances, for example, where contributions exceed the annual or lifetime allowance, there is an option to receive a monthly cash allowance in lieu of pension contributions.</p> <p>Executive directors appointed before 1 April 2019 receive a range of relevant employer contributions, fully aligned with the colleague population who joined before 1 April 2019, with a maximum contribution of 20% of basic salary, based on age and pensionable service.</p> <p>Executive directors appointed on or after 1 April 2019 receive a maximum contribution, fully aligned with the colleague population who joined after 1 April 2019, of 10% of basic salary.</p>	No change
	Benefits	<p>The principal benefits executive directors receive are:</p> <ul style="list-style-type: none"> • Life assurance (up to 4 x basic salary) • Private medical insurance • Group income protection • Health screening • Cash health plan. <p>Other benefits may be provided based on individual circumstances, for example, relocation.</p>	No change

Type	Remuneration element	Current policy	Proposed policy
Variable remuneration	Variable Performance Award (VPA)	<p>The 20% maximum is split between:</p> <p>Society performance – 10%</p> <p>Personal performance – 10%.</p> <p>Society performance objectives are agreed by the Remuneration Committee at the start of each year and reflect business priorities.</p> <p>Personal performance objectives, appropriate to the responsibilities of the director, are set at the start of each year and agreed by the Remuneration Committee. From 2025, 50% of the personal performance award is allocated to the demonstration of set behaviours (30% previously) which drive true differentiation, setting out the culture we wish to foster.</p> <p>The 20% maximum for the executive director in a control function is based on a range of personal objectives only, with 50% of the award (30% previously) allocated to the demonstration of behaviours.</p> <p>Robust risk evaluation measures are independently assessed by the Board Risk Committee, with measures for the Deputy Chief Executive Officer assessed by the Chief Executive Officer.</p> <p>For executive directors designated as 'senior managers' under the Senior Manager Regime and over the de minimis, 60% of the bonus will be deferred, over a period of seven years with no vesting until three years after the award is made. 50% of variable remuneration will be delivered in a share-like instrument.</p>	<p>The Variable Performance Award will be based on metrics linked to member value, operational excellence, and an executive's personal objectives and behaviours.</p> <p>The metrics, executive objectives, and their relative weighting are agreed by the Remuneration Committee at the start of each year and reflect business priorities.</p> <p>Additionally, any payment under the VPA is subject to the maintenance of a minimum level of personal performance and behaviours, as well as agreed capital and sustainability levels.</p> <p>The plan provides the opportunity for executive directors to earn up to 50% of annual basic salary when target is achieved across metrics, and up to 100% of salary only when significant stretching targets are achieved across all metrics.</p> <p>The VPA for an executive director in a control function is not based upon the Society's performance, to ensure independence of this role and prevent any conflict of interest. It is therefore based on a range of personal or functional objectives, and an assessment of behaviours.</p> <p>Executive directors whose remuneration exceeds the Regulators' de minimis threshold, will be subject to the Regulators' deferral, retention, payment in instruments, plus malus and clawback requirements.</p> <p>In cases where an executive director's remuneration does not exceed the de minimis threshold, the Society's voluntary deferral scheme applies. Under this scheme, 50% of variable remuneration is deferred for two years with prorated vesting. The voluntary deferral scheme applies to VPA awards that exceed £10,000.</p> <p>The committee may choose to apply a suitable level of interest rate to the deferred element of the VPA, where it is deemed appropriate.</p> <p>The Remuneration Committee retains full discretion and VPA payments to executive directors are not guaranteed.</p>

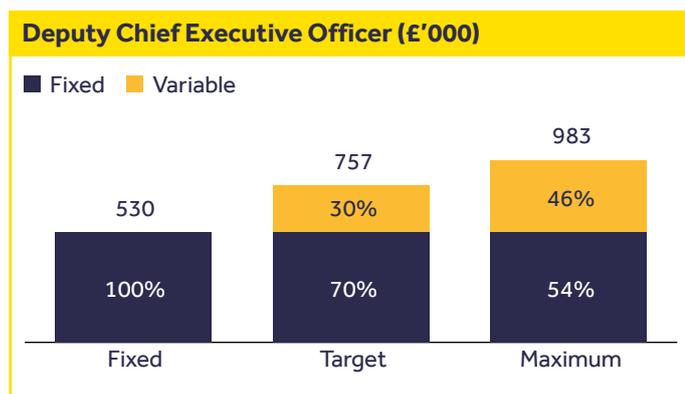
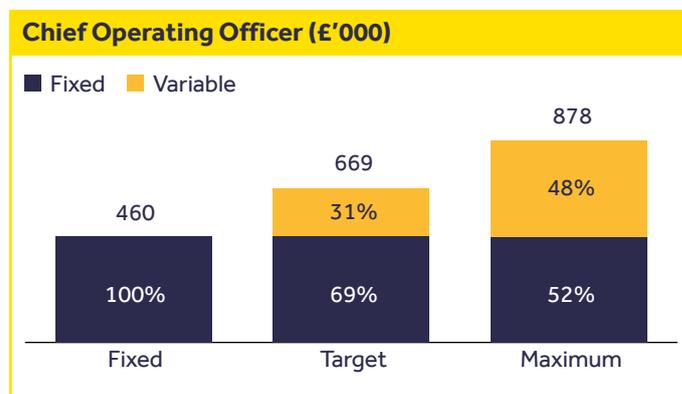
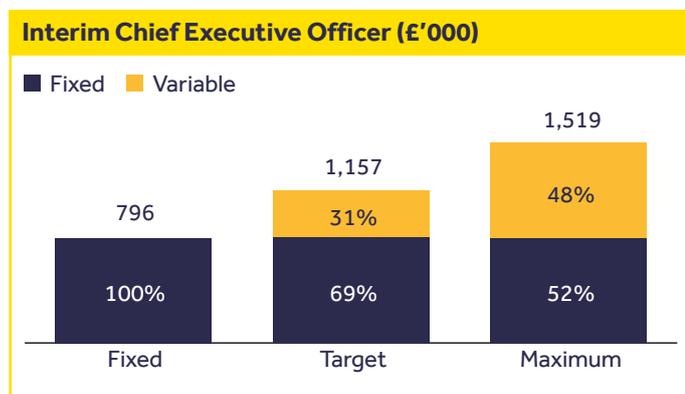
Directors' Remuneration Report continued

Type	Remuneration element	Current policy	Proposed policy
Variable remuneration	Retention awards	<p>Such awards will only be made in exceptional circumstances. The monetary value of the award will be defined at grant, and vesting of awards will be tied to the completion of a defined period of service and the satisfactory completion of a specific project or other multi-task deliverable.</p> <p>Retention awards can be made in conjunction with the annual bonus, up to a maximum of 100% of fixed pay. All retention awards for material risk takers are subject to the approval of the Remuneration Committee.</p> <p>Retention awards are part of variable pay and may be subject to malus and clawback, deferral and delivery in instruments, as determined by the Remuneration Committee.</p>	<p>Such awards will only be made in exceptional circumstances. The monetary value of the award will be defined at grant, and vesting of awards will be tied to the completion of a defined period of service or the satisfactory completion of a specific project or other multi-task deliverable.</p> <p>Retention awards are made in addition to the annual VPA and are excluded from the 100% of fixed pay maximum. All retention awards for executive directors are subject to the approval of the Remuneration Committee.</p> <p>Retention awards are part of variable pay and, where remuneration exceeds the Regulators' de minimis threshold, they will be subject to the Regulators' requirements on malus and clawback, deferral, and delivery in instruments.</p> <p>In cases where an executive director's remuneration does not exceed the de minimis threshold, the Society's voluntary deferral scheme applies. Under this scheme, 50% of variable remuneration is deferred for two years with prorated vesting. The voluntary deferral scheme applies to retention awards that exceed £10,000.</p> <p>The committee may choose to apply a suitable level of interest rate to the deferred element of the retention award, where it is deemed appropriate.</p> <p>The Remuneration Committee retains full discretion, and retention award payments to executive directors are not guaranteed.</p>

The Remuneration Committee may apply discretion at any point to reduce variable pay awards in whole or part using malus or clawback. Malus is a reduction factor which is applied to variable pay payments which have not yet vested, and clawback is applied to seek recovery of variable pay payments already paid.

Awards under different scenarios for 2025

The charts below show the awards split between fixed pay and variable pay, under the variable pay arrangements, excluding the Chief Operating Officer's retention award, for each current executive director under different scenarios. At 1 April 2026, the Chief Financial Officer role will continue to be covered by an internal interim appointment who is not a member of the Board. A permanent external CFO is expected to join in May 2026. Accordingly, the CFO position has been removed from the forward looking remuneration charts and tables.



Type	Summary			
Fixed	Consists of basic salary and pension			
	Basic salary at 1 April 2026			
	Executive director	Basic salary	Pension	Total fixed
	Interim Chief Executive Officer	£723,318	£72,332	£795,650
Deputy Chief Executive Officer	£453,076	£77,023	£530,099	
Chief Operating Officer	£418,108	£41,811	£459,919	
Target	Based on what an executive director would receive if the target level of performance was achieved, based on a 100% variable remuneration scheme: annual variable element pays out at 50% of the maximum available.			
Maximum	Based on what an executive director would receive if the maximum level of performance was achieved: annual variable element pays out at 100% of maximum available.			

Statement of implementation of Remuneration Policy in the following year

The Remuneration Policy is implemented by management. A formal review of the implementation of the policy is conducted by the Remuneration Committee on an annual basis.

Following a market review and assessment by the committee and taking into account the wider changes in Remuneration Policy, the executive directors' salaries from 1 April 2026 will not be increased. Details of the salaries compared to April 2025 are as follows:

	1 April 2025	1 April 2026	% Increase
A M Barnes (1)	£723,318	£723,318	0%
A J Greenwood	£453,076	£453,076	0%
R J Howse	£418,108	£418,108	0%

Notes

(1) Salary for A M Barnes is the salary upon appointment to Interim CEO on 23 June 2025.

R G Fearon has not been included in the table above as he will be leaving the Society and is no longer a Board member.

The annual pay review takes place in April, for all colleagues in the Society, including executive directors.

Due to their commercial sensitivity, targets and individual objective weightings are not disclosed prospectively.

Statement of consideration of conditions elsewhere in the Society

The Remuneration Committee considers the increase in general basic salary for the wider colleague population when determining the annual salary increases for the executive directors.

The graph below illustrates the comparison of average basic salary increase made in April 2026 to the Chief Executive Officer, Executive Directors and all other colleagues.



Approach to recruitment remuneration for executive directors

Type	Remuneration element	Summary
Fixed remuneration	Basic salary and benefits	The salary level will be set taking into account the responsibilities of the individual and by comparison with roles carrying similar responsibilities, in organisations of a comparable size, complexity and diversity to the Society. The executive director will be eligible to receive benefits as set out in the Remuneration Policy table.
	Pension	The executive director will be able to participate in the defined contribution section of the pension scheme or to receive a cash allowance of up to a maximum of 10% of basic salary, in line with the colleague population.
Variable remuneration	Annual VPA	The executive director will be eligible to participate in the annual VPA as set out in the Remuneration Policy table. The VPA award will be prorated to the number of days worked during that year.
	Replacement award	When replacement awards cannot be avoided, the committee will structure any such awards so that, overall, they are no more generous in terms of quantum or vesting period than the awards due to be forfeited. In determining the quantum and structure of these commitments, the committee will seek to replicate the fair value and, as far as practicable, the timing and performance requirements of remuneration foregone.
	Recruitment remuneration	Any payments made to executive directors on joining the Society to compensate them for forfeited remuneration from their previous employer will be compliant with the provisions of the PRA Rulebook and the FCA Dual-Regulated Firms Remuneration Code.
	Retention awards	Such awards will only be made in exceptional circumstances. The monetary value of the award will be defined at grant and vesting of awards will be tied to the completion of a defined period of service or the satisfactory completion of a specific project or other multi-task deliverable. Retention awards can be made in conjunction with the annual VPA. All retention awards, for executive directors, are subject to the approval of the Remuneration Committee. Retention awards are part of variable pay and may be subject to malus and clawback, deferral and delivery in instruments, as determined by the Remuneration Committee.

Service contracts

Executive directors' terms and conditions of employment, including details of remuneration, are detailed in their individual service agreements. The standard contract is available to view at the Society's Head Office.

The non-executive directors do not have service contracts with the Society.

Other paid directorships

Andrew Greenwood held a member role (non director) at the Clarion Foresight Group and non-executive director roles at Leeds Teaching Hospitals NHS Trust and Shared Ownership Code Limited during 2025. The appointments have been approved by the Board and do not give rise to any conflict.

Annette Barnes holds non-executive director roles at Globaldata plc and Stratos Markets Limited (trading as FXCM UK and Tradu). These appointments have been approved by the Board and do not give rise to any conflict.

Policy on payment for loss of office

When determining any loss of office payment for a departing individual, the committee will seek to minimise costs to the Society, whilst seeking to reflect the circumstances in place at the time. Accordingly, the committee retains overriding judgement to make loss of office payments appropriate to the circumstances and applying the overriding principle that there should be no element of reward for failure.

Type	Remuneration element	Summary
Fixed remuneration	Basic salary and benefits	In the event of termination by the Society, there will be no compensation for loss of office due to misconduct or poor performance. In other circumstances, executive directors may be entitled to receive compensation for loss of office. Such payments will be based on the monthly salary and pension contributions that the executive director would have received if still in employment with the Society. Executive directors are expected to mitigate compensation for loss of office, in appropriate circumstances.
Variable remuneration	Annual VPA	<p>Where an executive director's employment is terminated during or after the end of a performance year, but before the payment is made, the executive may be eligible for a prorated annual VPA for that performance year, subject to an assessment based on performance achieved over the period and subject to risk adjustment. No award will be made in the event of misconduct.</p> <p>Where an executive director leaves the Society after an award is made, deferred payments may still be payable, subject to the rules of the scheme and good leaver status, including risk adjustment.</p> <p>The Remuneration Committee, in determining the final awards, may apply judgement to assess performance in the round. When assessing performance in the round, the Remuneration Committee may take into account wider market, regulatory and stakeholder considerations.</p>

Reward risk management and governance in 2026

In 2026, the Society will continue to operate its reward framework within robust governance and risk management arrangements designed to promote sound and effective risk management in a way which is proportionate to the Society's size, complexity and risk profile. The Society will continue to monitor regulatory and governance developments and, where required, will seek advice and guidance from external remuneration consultants to ensure its reward arrangements remain compliant, competitive and aligned with the long term interests of members.

Directors' Report

Year ended 31 December 2025

The directors are pleased to present their Annual Report and Accounts and Annual Business Statement, for the year ended 31 December 2025.

Our business model and purpose-led strategy are described in the business model and strategy section on pages 9 to 29 of the Strategic Report, where KPIs are also presented.

Profits and capital

Profit before tax for the year was £198.6 million (2024: £137.5 million). The profit after tax transferred to the general reserve was £145.5 million (2024: £99.9 million). Total equity attributable to members at 31 December 2025 was £1,844.0 million (2024: £1,720.4 million).

Gross capital at 31 December 2025 was £2,290.1 million (2024: £2,062.6 million) including £438.1 million (2024: £334.2 million) of subordinated liabilities and £8.0 million (2024: £8.0 million) of subscribed capital. The ratio of gross capital as a percentage of shares and borrowings was 7.78% at 31 December 2025 (2024: 7.10%) and the free capital ratio was 7.47% (2024: 6.82%). Further explanation of these ratios is provided on page 218 of the Annual Business Statement.

Mortgage arrears

At 31 December 2025, there were 383 (2024: 361) mortgage accounts 12 months or more in arrears. The total mortgage arrears, for these accounts, was £5.4 million (2024: £5.0 million) and the total principal balance outstanding was £39.9 million (2024: £38.2 million).

Charitable and political donations

In 2025, the Society made donations of £409,444 (2024: £305,434) to the Leeds Building Society Charitable Foundation. Our other donations to charities and good causes (including colleague match funding) during the year amounted to £390,259 (2024: £391,251).

The Your Interest in Theirs schemes provided further donations of £52,075 (2024: £20,316) and £39,981 (2024: £92,601) respectively to the Foundation and our main charity partner, Barnardo's.

Other charitable donations from colleagues and members totalled £121,305 (2024: £115,518) taking total donations to charities and good causes to £1,013,064 (2024: £1,023,186).

No political donations were made during the year (2024: none).

Principal risks and uncertainties

Our approach to managing risks and the principal risks and uncertainties we face are set out in the Risk Management Report on pages 59 to 85, which also contains information on, and our approach to managing, our financial risks.

Colleagues

Information on key colleague policies and associated KPIs, including our processes for communication and consultation with colleagues, are included in the Strategic Report on pages 9 to 29 and the Corporate Governance Report on pages 96 to 111.

We are committed to ensuring every colleague feels valued and included for who they are and the unique perspectives they bring. We are a Disability Confident accredited employer and give full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Where a colleague becomes disabled during the course of their employment, every effort is made to continue their employment, making reasonable and proportionate adjustments as necessary.

Business relationships

We are committed to developing strong business relationships with our partners, notably our mortgage brokers, suppliers and investors. Further details of how the Board has regard to the interests of these and other stakeholders can be found on pages 24 to 27 and 100 to 102.

Creditor payment policy

We aim to agree terms and conditions with suppliers that outline the way in which business is to be transacted, including the terms of payment, and to pay in accordance with contractual and other legal obligations.

Creditor days stood at 9 days at 31 December 2025 (2024: 15 days).

Environmental policy

The directors recognise that climate change is a significant global issue which impacts on and requires action from multiple bodies, including governments, businesses and individuals. We are committed to playing our part as a responsible business.

During the year, we have continued to enhance our understanding of the risks and opportunities for the business from climate change and have monitored performance against targets in order to reduce our environmental impact. Our climate-related financial disclosures are included on pages 43 to 56 of the Strategic Report.

Pillar 3 disclosures

The disclosures required under Pillar 3 of CRD V are published on our website at leedsbuildingsociety.co.uk/press/financial-results.

Corporate governance

We have provided statements on corporate governance and directors' roles and responsibilities in the Corporate Governance Report on pages 96 to 111.

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

This statement is made by the directors to explain their responsibilities in relation to the preparation of the Annual Accounts, Annual Business Statement and Directors' Report. It should be read in conjunction with the statements on the respective responsibilities of directors and the auditor on page 158.

The Building Societies Act 1986 (the Act) requires the directors to prepare Group and Society Annual Accounts for each financial year. Under that law, they are required to prepare the Annual Accounts in accordance with UK adopted International Accounting Standards and applicable law.

The Group and Society Annual Accounts are required by law and by accounting standards to present fairly the financial position and the performance of the Group and the Society. The Act provides that references to Annual Accounts giving a true and fair view are references to their achieving a fair presentation. The Act also requires the Annual Accounts to provide details of directors' emoluments in accordance with Part VIII of the Act and regulations made thereunder.

In preparing the Annual Accounts, the directors have:

- Selected appropriate accounting policies and applied them consistently.
- Made judgements and estimates that are reasonable.
- Stated whether the Annual Accounts are prepared in accordance with UK-adopted International Accounting Standards.
- Prepared the financial statements on a going concern basis.

The directors consider that the Annual Report and Accounts are fair, balanced and understandable, when taken as a whole, and that they provide the information necessary for members to assess the Society's and Group's performance, business model and strategy.

In addition to the Annual Accounts, the Act requires the directors to prepare an Annual Business Statement and a Directors' Report for each financial year. Each contains prescribed information relating to our business and subsidiary undertakings.

Directors' responsibilities for accounting records and internal control

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.
- Takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to the Group.

The directors have responsibility for safeguarding the Group's assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance of the corporate and financial information included on the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors who held office at the date of approval of this report confirm that, as far as they are aware, there is no relevant information of which our auditor is unaware and that each director has taken all steps necessary to make themselves aware of any relevant audit information and establish that the auditor is aware of that information.

Going concern

The directors are required to prepare financial statements on a going concern basis, unless it is inappropriate to presume that the Society and the Group will continue in business for the next 12 months.

The directors review the results of regular forecasts and stress tests to understand the potential financial and operational performance of the business under a range of economic and market conditions. This informs their assessment of whether the Society and the Group are going concerns. These assessments reflect the potential impacts of the principal and emerging risks set out on pages 37 to 40.

The directors have also reviewed the Society's and Group's position over a longer period than the 12 months required by the going concern assessment. This is explained in the Viability Statement on pages 41 to 42 of the Strategic Report.

Based on the assessments performed, the directors have concluded that:

- The Group has proven access to liquidity resources, including access to central bank funding facilities if required, sufficient to meet both the normal demands of the business and the requirements which might arise in modelled stressed circumstances. The availability and quality of liquid assets are structured so that funds are available to repay any maturing wholesale funds and cover exceptional demand from retail investors.

- The Group's other assets consist primarily of mortgages secured on residential property. The recoverability of all mortgage assets is regularly reviewed and provisions are made, incorporating a forward looking view of expected losses under a range of macroeconomic scenarios, so that the Group is not exposed to losses on these assets which would impact its decision to adopt the going concern basis.
- The Group's current capital resources are sufficient to meet regulatory requirements. Having reviewed plans and forecasts, the directors consider plans for future capital generation to be sufficient to maintain capital in excess of regulatory requirements, under both central and modelled stressed scenarios.

The directors have therefore concluded that the Society and Group have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the financial statements. Therefore, it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Directors

The names of the directors of the Society at 31 December 2025, their roles and membership of Board committees are detailed on pages 89 to 93.

In line with best practice, all executive and non-executive directors offer themselves for election or re-election by the members at the AGM.

None of the directors hold any beneficial interest in shares in, or debentures of, any subsidiary undertaking of the Society.

Auditor

In accordance with Section 77 of the Building Societies Act 1986, a resolution for Ernst & Young LLP's re-appointment as auditor will be proposed at the AGM.



Katherine Tong
Chief Risk Officer/Secretary

26 February 2026

Financial Statements

Independent Auditor's Report to the Members of Leeds Building Society

Year ended 31 December 2025

Opinion

In our opinion:

- The financial statements of Leeds Building Society (the "Society") and its subsidiaries (together, the "Group") 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 (as defined in the table below) of the Group and the Society for the year ended 31 December 2025, which comprise:

Group	Society
Income statement for the year ended 31 December 2025	Income statement for the year ended 31 December 2025
Statement of comprehensive income for the year ended 31 December 2025	Statement of comprehensive income for the year ended 31 December 2025
Statement of financial position for the year ended 31 December 2025	Statement of financial position for the year ended 31 December 2025
Statement of changes in members' interest for the year ended 31 December 2025	Statement of changes in members' interest for the year ended 31 December 2025
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 33 to the financial statements, including material accounting policy information	
Country by Country Reporting for the year ended 31 December 2025	
Information identified as "audited" within the Risk Management Report (pages 58 to 85) and Director's Remuneration Report (pages 130 to 146)	

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.

Year ended 31 December 2025

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's and the Society's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We confirmed our understanding of the Directors' going concern assessment process, including the Financial Statement Close Process, and the process by which the Corporate Plan is created and approved.
- We obtained the Directors' going concern assessment, which covers a period until 26 February 2027, being 12 months from the date of approval of the Annual Report and Accounts.
- We compared the historical budgeted financial information with actual results, in order to form a view on the reliability of the forecasting process.
- We assessed the reasonableness of the Group and the Society's funding plans, including capital and liquidity requirements. We considered the Group and Society's current funding position and availability of additional capital and liquidity should it be required. We also evaluated the Group and Society's ability to replace maturing debt instruments over the going concern period to manage regulatory capital requirements.
- We assessed the results of the Group's stress and reverse stress testing, including considering the impact of ongoing macroeconomic uncertainty. We evaluated the feasibility of Management's planned future actions should stress scenarios materialise.
- 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, committee and board meeting minutes in order to identify events or conditions that may impact the Group and the Society's ability to continue as a going concern.
- We reviewed the going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with applicable 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's and the Society's ability to continue as a going concern until 26 February 2027, being a period of 12 months from the data of approval of the Annual Report and Accounts.

In relation to the Group's and the 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's and the Society's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none">• We performed an audit of the complete financial information of the Group and the Society.
Key audit matters	<ul style="list-style-type: none">• Fair value of the collateral loan and RPI-linked swap.• UK residential expected credit loss provisions.
Materiality	<ul style="list-style-type: none">• Overall Group and Society materiality of £10.0m (2024: £9.4m) which represents 5% of profit before tax (2024: 5% of adjusted profit before tax).

An overview of the scope of the Society and the Group audits

Tailoring the scope

The Group and the Society is managed from one location in Leeds. All audit work performed for the purposes of the audit was undertaken by a single audit team based in the UK.

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 to identify and assess risks of material misstatement of the Group and the Society financial statements and identified significant accounts and disclosures. When identifying the extent to which audit work needed to be performed to respond to the identified risks of material misstatement of the Group and the Society 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, applications and relevant internal audit results.

Our scoping to address the risk of material misstatement for each key audit matter is set out in the key audit matters section of our report.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group and the 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 transition risks. These are explained on pages 45 to 50 in the Climate-Related Financial Disclosures section of the Annual Report and Accounts, including the Society's commitments to support transition to a greener, net zero economy by 2050. 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 the Society's business and any consequential material impact on its financial statements.

The Group and the Society have explained in Note 2 how they have reflected the impact of climate change in their financial statements. These disclosures explain the approach taken to quantify the effect of climate-related risks on expected credit losses, and note that, as governmental policies and economic and regulatory responses continue to evolve, future impacts remain uncertain and cannot yet be reliably incorporated into asset and liability valuations under UK adopted international accounting standards.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of physical and transition climate risk, the Group and the Society's climate commitments, the effects of material climate risks disclosed in Note 2 and whether these have been appropriately reflected in asset and liability values, where these are impacted by future cash flows following the requirements of UK adopted international accounting standards. As part of this evaluation, we performed our own risk assessment, supported by our climate change specialists, to determine whether there were any risks of material misstatement in the financial statements relating to climate change that needed to be considered in the audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

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 of climate change to principally impact the 'UK residential expected credit loss ('ECL') provisions' key audit matter. Details of the impact, our procedures and findings are included in our explanation of the UK residential expected credit loss provisions key audit matter overleaf.

Year ended 31 December 2025

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.

Risk	Our response to the risk
<p>Fair value of the collateral loan and RPI-linked swap</p> <p>Refer to the Audit Committee Report (page 121); Accounting policies (page 166); and Note 2 (b) of the Consolidated Financial Statements (pages 178 and 179).</p> <p>As at 31 December 2025, the Group and Society reported a £138.9 million collateral loan (2024: £145.0 million) and fair value of the associated RPI-linked swap of £1.6 million (2024: £5.9 million).</p> <p>The Society owns three equity release mortgage portfolios that each contain a 'no negative equity guarantee' that any shortfall arising on the sale of the property securing the mortgage will not be pursued. 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. As a result of these elements, the portfolio is measured at fair value.</p> <p>The fair value of the equity release portfolio is determined using a model involving several judgmental assumptions.</p> <p>The Society uses swaps to manage the interest rate risk and reduce income statement volatility that would otherwise result from changes in the fair value of the equity release portfolio. One of these instruments, an RPI-linked swap, is used to hedge the interest rate risk associated with one of the three portfolios. The RPI-linked swap is a Level 3 financial instrument as it is valued using a model with judgmental assumptions and the unobservable inputs of mortality rate and voluntary redemption rates as future notional amounts are not specified in the contract.</p> <p>The key assumptions used in the models include:</p> <ul style="list-style-type: none"> • Discount rates, including spread • Property price volatility • Property price sale discounts • Mortality rates • RPI inflation rates • Voluntary mortgage redemption rates • Estimations for long term care <p>As the portfolio ages, a greater portion of the book does not have observable market data, increasing its inherent risk.</p> <p>Due to the degree of judgement exercised by the Directors in determining the key assumptions used in the valuation model, we considered this to be a key audit matter. The heightened levels of estimation uncertainty also gave rise to an increased risk of management override of controls.</p>	<p>We understood and evaluated the design effectiveness of key controls over the fair value of the equity release portfolio and RPI-linked swap, and adopted a substantive audit approach.</p> <p>With support from EY valuation specialists, we assessed the appropriateness of the Society's valuation techniques and independently calculated a range of fair values for the collateral loan and RPI-linked swap. We compared the reported fair values against this range.</p> <p>Alongside EY valuation specialists and life actuaries, we challenged the key assumptions used in the fair value models. We compared assumptions applied in the fair value models to the Society's historical experience and benchmarked assumptions to observable market data where applicable.</p>

Key observations communicated to the Audit Committee

We reported the outcome of our independently determined ranges, and concluded that the fair value of the collateral loan and RPI-linked swap was within our reasonable range. We concluded that the assumptions deployed in the fair value of the collateral loan and RPI-linked swap were reasonable in the context of the equity release mortgage portfolio and current market conditions.

Risk	Our response to the risk
<p>UK residential expected credit loss (“ECL”) provisions</p> <p>Refer to the Audit Committee Report (page 120); Accounting policies (pages 168 and 169); and Note 2 of the Consolidated Financial Statements (pages 172 to 178).</p> <p>As at 31 December 2025, the Group and Society reported gross loans fully secured on residential property of £25,820.6m (2024: £24,402.7). Of these amounts, £25,772.3 million (2024: £24,355.0 million) related to UK residential loans and advances to customers, with associated ECL provisions of £35.9 million (2024: £36.9 million).</p> <p>The ECL provision is a significant balance that carries a high degree of estimation uncertainty due to the assumptions used in its calculation. The calculation of such provisions under IFRS 9 requires a forward looking assessment of expected losses, increasing the complexity and number of judgements used.</p> <p>The level of judgement and estimation remains heightened as a result of the current economic environment which leads to greater uncertainty in forecasting future economic scenarios, the weightings to be applied to these scenarios, the determination of significant increase in credit risk (‘SICR’), and the use of judgemental overlays.</p> <p>Key judgements and estimates in the timing and measurement of ECL include:</p> <ul style="list-style-type: none"> • Probability of default (‘PD’) • Loss given default (‘LGD’) • Exposure at default (‘EAD’) • Assessment of staging criteria and identification of loans that exhibit a SICR • Incorporation of forward looking information, including multiple economic assumptions • Completeness and valuation of post model adjustments (‘PMAs’) <p>We evaluated model changes deployed by Management during the year, and the related effect on certain post model adjustments.</p> <p>We also considered potential consequences of climate change and the impact of this on the ECL provision.</p> <p>Due to the degree of judgement that needs to be exercised by the Directors in determining the key assumptions used in calculating the ECL provision for the UK residential mortgage portfolio, we considered this to be a key audit matter. The heightened levels of estimation uncertainty also gave rise to an increased risk of management override of controls.</p>	<p>We understood and evaluated the design effectiveness of controls over the UK residential impairment processes, and adopted a substantive audit approach.</p> <p>With the support of EY credit risk modelling specialists, we risk assessed the models used to generate the UK residential ECL provision. Based on this risk assessment we tailored our procedures, which included:</p> <ul style="list-style-type: none"> • Testing the appropriateness of the Society’s updated model methodology through inspection of model design documentation. • Independently replicating the Society’s modelled ECL as at 31 December 2025 which incorporated the model changes made in the year. This included recalculation of PDs, LGDs, EADs and overall ECL. • Performing sensitivity analysis to determine the impact of changes in key assumptions to the ECL provision. • Benchmarking assumptions to observable market data where applicable. <p>With the support of EY credit risk modelling specialists, we assessed whether the SICR criteria used by the Society provided appropriate leading indicators of increased credit risk in the UK residential mortgage portfolio. We also independently tested whether the UK residential mortgage portfolio had been appropriately staged in line with the Society’s stated criteria.</p> <p>With the support of EY economists, we assessed the base case and alternative macroeconomic scenarios through comparison to other scenarios from external sources. This testing also included benchmarking of the probability weightings used by the Society.</p> <p>Having determined the appropriateness of the unemployment, GDP, inflation, interest rate and property price forecasts and associated probability weightings, we assessed the reasonableness of the extent of non-linearity arising from the Society’s model outputs.</p> <p>We assessed the completeness and appropriateness of PMAs using our knowledge and experience across the UK lending sector, and challenging the Society’s rationale for new PMAs recorded in the year and the continued justifications for existing PMAs where relevant.</p> <p>With the involvement of our credit risk modelling specialists we tested in scope PMAs for reasonableness of estimation with reference to observable market data. We also tested the Society’s incorporation of climate risk into the modelled ECL provision, and utilised external data to determine whether the impact of this had been reasonably estimated at 31 December 2025.</p> <p>We performed a stand back analysis to assess the overall adequacy of the UK residential ECL provisions. This included utilising our understanding of the Society and the UK residential mortgage market to perform analytical procedures, assessing whether any contradictory evidence had been obtained from other parts of the audit, and considering the Group and Society’s provision coverage ratios in comparison to other lenders using available benchmarking data.</p>

Key observations communicated to the Audit Committee

We communicated that we were satisfied that the Society’s UK residential ECL provisions were reasonably estimated and materially in compliance with IFRS 9.

We highlighted to the committee that there remains increased uncertainty in determining forecast losses due to the prevailing uncertain economic environment.

We highlighted to the Audit Committee that the updated model methodology, including the incorporation of the prior period PMA relating to affordability, was appropriate and that the models operated as designed. On this basis, we consider the reported ECL to be reasonably estimated.

We considered the multiple economic scenarios, and associated weightings, incorporated in the IFRS 9 models to be materially appropriate.

Independent Auditor's Report continued

Year ended 31 December 2025

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 and the Society to be £10.0 million (2024: £9.4 million), which is 5% of profit before tax (2024: 5% of profit before tax, adjusted for certain non-recurring items). We believe that 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 the Society's performance.

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: 50%) of our planning materiality, namely £7.5 million (2024: £4.7 million). We increased performance materiality to 75% in the current year as this was our second year as auditor, and having considered the results of our assessment of the effectiveness of the Group's control environment.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.5 million (2024: £0.5 million), 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 and Accounts, other than the financial statements and our auditor's report thereon. The Directors are responsible for the "other information" contained within the Annual Report and Accounts.

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.

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 Society; or
- The Group or Society 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 the Society's voluntary compliance with the provisions of the UK Corporate Governance Code specified for our review by the UK 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:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 148 and 149;
- 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 pages 148 and 149;
- Directors' statement on fair, balanced and understandable set out on page 148;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 37 to 40;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out in the Board Risk Committee (BRC) Report on pages 125 to 129; and;
- The section describing the work of the Audit Committee set out on page 119.

Directors' Remuneration Report

The Society voluntarily prepares a Report of the directors on remuneration in accordance with the provisions of the Companies Act 2006. The Directors have requested that we audit the part of the Report of the Directors on remuneration 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.

Year ended 31 December 2025

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 148, 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's and the 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 International Standards on Auditing (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.

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 Group and Management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Group and determined that the most significant are 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 and the Society are complying with those frameworks by attending the Society's Audit Committee, making enquiries of Management, internal audit, and those responsible for legal and compliance matters. We inquired as to any known instances of non-compliance or suspected non-compliance with laws and regulations. We also reviewed correspondence between the Group and UK regulatory bodies and reviewed minutes of the Board and Board Risk Committee. We also reviewed the Society's Whistleblowing Policy and reports.
- We assessed the susceptibility of the Group and the Society's financial statements to material misstatement, including how fraud might occur by holding discussions with senior Management, those charged with governance, internal audit and the Audit Committee.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of legal counsel, executive Management, internal audit, and focused testing on areas of key judgement and estimation, as referred to in the Key Audit Matters section above.
- The Group and Society operate 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 [frc.org.uk/auditorsresponsibilities](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 Audit Committee, we were appointed by the Society on 18 April 2024 to audit the financial statements for the year ending 31 December 2024 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the years ending 31 December 2024 to 31 December 2025.
- The audit opinion is consistent with the additional report to the 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.

Steven Robb (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

26 February 2026

Income Statements

For the Year ended 31 December 2025

	Notes	Group 2025 €M	Group 2024 €M	Society 2025 €M	Society 2024 €M
Interest receivable and similar income					
Accounted for using effective interest rate method	3	1,395.0	1,283.6	1,366.8	1,279.9
Other	3	177.1	308.5	200.7	304.1
Total interest receivable and similar income		1,572.1	1,592.1	1,567.5	1,584.0
Interest payable and similar charges	4	(1,169.6)	(1,229.2)	(1,165.5)	(1,221.4)
Net interest receivable		402.5	362.9	402.0	362.6
Fees and commissions receivable		5.5	5.1	5.5	5.1
Fees and commissions payable		(1.1)	(0.6)	(0.7)	(0.3)
Fair value (losses)/gains from financial instruments	6	(4.9)	10.3	2.9	6.0
Other operating income/(expense)	5	10.5	(22.1)	10.5	(21.4)
Total income		412.5	355.6	420.2	352.0
Administrative expenses	7	(203.6)	(185.4)	(203.6)	(185.4)
Depreciation and amortisation	17,18	(11.7)	(10.6)	(11.7)	(10.6)
Impairment (charge)/release on loans and advances to customers	9	(0.1)	5.7	(0.1)	5.7
Impairment of property, plant and equipment and intangible assets	17,18	–	(17.5)	–	(17.5)
Provisions release/(charge)	23	1.5	(10.3)	1.5	(10.3)
Operating profit and profit before tax		198.6	137.5	206.3	133.9
Tax expense	10	(53.1)	(37.6)	(55.3)	(36.2)
Profit after tax for the financial year		145.5	99.9	151.0	97.7

All amounts relate to continuing operations.

The notes on pages 165 to 216 form part of these accounts.

Statements of Comprehensive Income

For the Year ended 31 December 2025

	Notes	Group 2025 €M	Group 2024 €M	Society 2025 €M	Society 2024 €M
Profit for the financial year		145.5	99.9	151.0	97.7
Items that may subsequently be reclassified to profit and loss:					
Cash flow hedge reserve:					
Fair value (losses)/gains recorded in cash flow hedge reserve		(9.1)	19.1	(9.1)	19.1
Amount transferred to income statement (Note 1)		(29.6)	(27.9)	(29.6)	(27.9)
Fair value reserve:					
Fair value gains/(losses) on investment securities at fair value through other comprehensive income		9.0	(18.1)	9.0	(18.1)
Amount transferred to income statement (Note 2)		1.5	(1.3)	1.5	(1.3)
Taxation (Note 3)		7.9	7.8	7.9	7.8
Items that may not subsequently be reclassified to profit and loss:					
Retirement benefit obligations:					
Actuarial (loss)/gain on retirement benefit surplus	26	(0.3)	0.7	(0.3)	0.7
Change in asset ceiling on retirement benefits	26	(3.1)	(4.2)	(3.1)	(4.2)
Revaluation reserve:					
Revaluation gain on properties	18	0.3	–	0.3	–
Taxation (Note 4)		0.8	1.0	0.8	1.0
Total comprehensive income for the year		122.9	77.0	128.4	74.8

Notes:

- (1) Reported in the 2024 Annual Report and Accounts as 'Gains previously recorded in cash flow hedge reserve amortised through profit or loss'.
- (2) Reported in the 2024 Annual Report and Accounts as '(Gains)/losses on investment securities measured through other comprehensive income reclassified to profit or loss on disposal'.
- (3) Reported in the 2024 Annual Report and Accounts as 'Tax relating to items that may subsequently be reclassified' & 'Effect of change in corporation tax rate'.
- (4) Reported in the 2024 Annual Report and Accounts as 'Tax relating to items that may not be reclassified' & 'Effect of change in corporation tax rate'.

Statements of Financial Position

For the Year ended 31 December 2025

	Notes	Group 2025 €M	Group 2024 €M	Society 2025 €M	Society 2024 €M
Assets					
Liquid assets					
Cash in hand and balances with the Bank of England	12	1,413.4	2,443.2	1,413.4	2,443.2
Loans and advances to credit institutions	12	115.2	152.3	6.1	15.2
Investment securities	13	3,921.9	3,950.0	3,921.9	3,950.0
Derivative financial instruments	32	129.5	371.1	129.5	371.1
Loans and advances to customers					
Loans fully secured on residential property		25,820.6	24,402.7	25,820.6	24,402.7
Other loans	14	141.9	147.8	141.9	147.8
Fair value adjustment for hedged risk on loans and advances to customers		75.5	(173.1)	75.5	(173.1)
Other assets, prepayments and accrued income	15	253.3	238.1	385.1	444.5
Current tax assets		0.1	–	0.1	–
Intangible assets	17	43.9	35.1	43.9	35.1
Property, plant and equipment	18	47.1	45.4	47.1	45.4
Total assets		31,962.4	31,612.6	31,985.1	31,681.9
Liabilities					
Shares	19	26,069.9	24,529.8	26,069.9	24,529.8
Fair value adjustment for hedged risk on shares		11.7	8.8	11.7	8.8
Derivative financial instruments	32	119.9	98.0	130.7	117.2
Amounts owed to credit institutions		0.5	1,244.2	0.5	1,244.2
Amounts owed to other customers	20	138.8	159.3	944.9	791.1
Debt securities in issue	21	3,237.6	3,131.7	2,429.2	2,495.6
Other liabilities and accruals	22	77.9	347.3	98.8	416.0
Current tax liabilities		–	0.6	–	0.6
Deferred tax liabilities	27	14.9	25.6	12.5	21.1
Provisions for liabilities and charges	23	0.6	4.2	0.6	4.2
Retirement benefit obligation	26	0.5	0.5	0.5	0.5
Subordinated liabilities	24	438.1	334.2	438.1	334.2
Subscribed capital	25	8.0	8.0	8.0	8.0
Total liabilities		30,118.4	29,892.2	30,145.4	29,971.3
General reserve					
		1,790.8	1,647.2	1,786.5	1,637.4
Cash flow hedge reserve					
		38.7	66.6	38.7	66.6
Fair value reserve					
		(1.7)	(9.3)	(1.7)	(9.3)
Revaluation reserve					
		1.9	1.6	1.9	1.6
Other reserve					
		14.3	14.3	14.3	14.3
Total liabilities and equity		31,962.4	31,612.6	31,985.1	31,681.9

The accounts on pages 160 to 216 were approved by the Board of directors on 26 February 2026.

Signed on behalf of the Board of directors by:

Brendan McCafferty
Chair

Annette Barnes
Interim Chief Executive Officer

Jon Bailey
Interim Chief Financial Officer

Statements of Changes in Members' Interest

For the Year ended 31 December 2025

Group 2025	General reserve £M	Cash flow hedge reserve £M	Fair value reserve £M	Revaluation reserve £M	Other reserve* £M	Total equity attributable to members £M
At 1 January 2025	1,647.2	66.6	(9.3)	1.6	14.3	1,720.4
Income recognised in respect of prior periods	0.7	–	–	–	–	0.7
At 1 January 2025 adjusted	1,647.9	66.6	(9.3)	1.6	14.3	1,721.1
Comprehensive income/(expense) for the year	142.9	(27.9)	7.6	0.3	–	122.9
At 31 December 2025	1,790.8	38.7	(1.7)	1.9	14.3	1,844.0

Group 2024	General reserve £M	Cash flow hedge reserve £M	Fair value reserve £M	Revaluation reserve £M	Other reserve* £M	Total equity attributable to members £M
At 1 January 2024	1,548.5	74.3	4.7	1.6	14.3	1,643.4
Comprehensive income/(expense) for the year	98.7	(7.7)	(14.0)	–	–	77.0
At 31 December 2024	1,647.2	66.6	(9.3)	1.6	14.3	1,720.4

Society 2025	General reserve £M	Cash flow hedge reserve £M	Fair value reserve £M	Revaluation reserve £M	Other reserve* £M	Total equity attributable to members £M
At 1 January 2025	1,637.4	66.6	(9.3)	1.6	14.3	1,710.6
Income recognised in respect of prior periods	0.7	–	–	–	–	0.7
At 1 January 2025 adjusted	1,638.1	66.6	(9.3)	1.6	14.3	1,711.3
Comprehensive income/(expense) for the year	148.4	(27.9)	7.6	0.3	–	128.4
At 31 December 2025	1,786.5	38.7	(1.7)	1.9	14.3	1,839.7

Society 2024	General reserve £M	Cash flow hedge reserve £M	Fair value reserve £M	Revaluation reserve £M	Other reserve* £M	Total equity attributable to members £M
At 1 January 2024	1,540.9	74.3	4.7	1.6	14.3	1,635.8
Comprehensive income/(expense) for the year	96.5	(7.7)	(14.0)	–	–	74.8
At 31 December 2024	1,637.4	66.6	(9.3)	1.6	14.3	1,710.6

*Other reserve relates to the 2006 merger with Mercantile Building Society.

Statements of Cash Flows

For the Year ended 31 December 2025

	Group 2025 £M	Group 2024 £M	Society 2025 £M	Society 2024 £M
Profit before tax	198.6	137.5	206.3	133.9
Adjusted for:				
Impairment charge/(release)	0.1	(5.7)	0.1	(5.7)
Provisions (release)/charge	(1.5)	10.3	(1.5)	10.3
Depreciation and amortisation	11.7	10.6	11.7	10.6
Impairment of property, plant and equipment and intangible assets	–	17.5	–	17.5
Fair value of collateral loan which represents a pool of equity release mortgages	3.9	7.6	3.9	7.6
Net loss / (gain) from financing activities*	0.1	(3.8)	0.1	(11.6)
Non cash and other items	(35.4)	11.2	(35.9)	9.8
Cash generated from operations	177.5	185.2	184.7	172.4
Changes in operating assets and liabilities:				
Derivative financial instruments*	43.3	14.2	34.9	22.3
Loans and advances to customers	(1,416.0)	(2,611.2)	(1,416.0)	(2,611.2)
Loans and advances to credit institutions	–	77.8	–	77.8
Other operating assets	(16.7)	(12.9)	57.9	(11.7)
Shares	1,540.1	3,736.8	1,540.1	3,736.8
Amounts owed to credit institutions and other customers	(1,264.2)	(635.7)	(1,089.9)	(355.6)
Other operating liabilities	(273.5)	41.0	(321.3)	(0.1)
Taxation paid	(53.6)	(28.2)	(53.6)	(28.2)
Net cash flows from operating activities	(1,263.1)	767.0	(1,063.2)	1,002.5
Cash flows from investing activities				
Purchase of investment securities	(3,917.4)	(5,124.3)	(3,917.4)	(5,124.3)
Proceeds from sale and redemption of investment securities	3,984.9	3,689.3	3,984.9	3,689.3
Purchase of intangible assets	(16.9)	(12.4)	(16.9)	(12.4)
Purchase of property, plant and equipment	(3.6)	(3.0)	(3.6)	(3.0)
Net cash flows from investing activities	47.0	(1,450.4)	47.0	(1,450.4)
Cash flows from financing activities				
Net proceeds from issue of debt securities	874.3	910.1	524.4	560.2
Net proceeds from issue of subordinated liabilities	299.2	–	299.2	–
Repayments of debt securities in issue	(777.3)	(503.8)	(599.3)	(433.4)
Repayments of subordinated liabilities	(217.0)	–	(217.0)	–
Repayments of subscribed capital	–	(48.4)	–	(48.4)
Principal lease payments	(1.4)	(1.4)	(1.4)	(1.4)
Derivative financial instruments*	(28.6)	(43.5)	(28.6)	(32.1)
Net cash flows from financing activities	149.2	313.0	(22.7)	44.9
Net decrease in cash and cash equivalents	(1,066.9)	(370.4)	(1,038.9)	(403.0)
Cash and cash equivalents at the beginning of the year	2,595.5	2,965.9	2,458.4	2,861.4
Cash and cash equivalents at the end of the year	1,528.6	2,595.5	1,419.5	2,458.4
Additional information on operational cash flows from interest				
Interest paid	1,179.5	1,164.7	1,145.0	1,137.1
Interest received	1,395.0	1,283.6	1,366.8	1,279.9

*Derivative financial instrument cash flows were previously presented under net cash flows from operating activities, but have now been split across net cash flows from operating activities and net cash flows from financing activities to align classification with items being hedged. The 2024 Group and Society comparatives has been represented, resulting in an increase in net cash flows from operating activities of £43.5m and £32.1m respectively, and a reduction in net cash flows from financing activities of £43.5m and £32.1m respectively. There is no net impact on cash and cash equivalents at the end of the year.

Notes to the Accounts

Year ended 31 December 2025

1. Accounting policies

(a) Basis of preparation

The Group and Society financial statements are prepared in accordance with international accounting standards (IAS) in conformity with the requirements of the Building Societies Act 1986 and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended) that are applicable. The Group and Society financial statements are also prepared in accordance with UK-adopted IAS.

The Group prepares its accounts under the historical cost convention except for the valuation of financial assets and liabilities held at fair value through other comprehensive income or fair value through profit or loss including all derivative financial instruments, and certain freehold and long leasehold properties.

As stated in the Directors' Report, the directors have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. As such, the Group has prepared its consolidated financial statements on the basis that it will continue to operate as a going concern. Please refer to page 148 to 149 for further details of the directors' assessment.

The particular accounting policies adopted are described below and the policies, presentation and methods of computation are consistent with those applied by the Group in the prior year, except where otherwise indicated.

These financial statements are presented in sterling and, except where otherwise indicated, have been rounded to the nearest one hundred thousand pounds.

(b) Accounting developments

In April 2024, the International Accounting Standard Board (IASB) issued IFRS 18 *Presentation and Disclosure in Financial Statements* which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

IFRS 18 is effective for reporting periods beginning on or after 1 January 2027. The Society is continuing to assess the impacts of the amendments and is actively preparing for implementation, including updates to the primary financial statements and related disclosures.

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments which amended IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*. These amendments clarify when specific financial assets and liabilities can be recognised or derecognised, introducing an accounting policy choice when derecognising financial liabilities settled using an electronic payment system, classification of financial assets with ESG linked features and introduce additional disclosures for financial instruments with contingent features and equity instruments classified at fair value through other comprehensive income (FVOCI).

The amendments are effective for reporting periods beginning on or after 1 January 2026. The Society does not expect the amendments to have an impact on the primary financial statements and notes to the financial statements.

Taxation

The Group is within the scope of the Organisation for Economic Co-operation and Development (OECD) Pillar 2 Model Rules. In July 2023, the Pillar 2 legislation was enacted in the United Kingdom, the jurisdiction in which the Group operates. The Pillar 2 legislation came into effect for accounting periods beginning on or after 31 December 2023. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes, as provided in the amendments to IAS 12 *Income Taxes* issued in May 2023.

Within Pillar 2, the Global Anti-Base Erosion (GloBE) rules are designed to ensure large multinational enterprises pay a minimum level of tax on the income arising in each jurisdiction where they operate. Where the legislation applies, a group is liable to pay a top-up tax for the difference between its GloBE effective tax rate (ETR) and the 15% minimum rate on a jurisdictional basis. Based on an assessment of the current period, all entities within the group are expected to have an ETR that exceeds 15% and therefore there is not expected to be a top-up tax charge on the Group. The Group will continue to review this position at each reporting date.

(c) Basis of consolidation

The Society does not have a parent or controlling entity. The Group accounts consolidate the accounts of the Society, its subsidiaries and those entities over which it is deemed to have control, as listed in Note 16. Uniform accounting policies are applied throughout the Group. Intragroup transactions are eliminated upon consolidation.

Special Purpose Funding Vehicles

The Society has transferred the beneficial interest in various mortgage portfolios to special purpose funding vehicles (SPVs), enabling the subsequent raising of debt to investors with the underlying assets as collateral.

Year ended 31 December 2025

1. Accounting policies (continued)

(c) Basis of consolidation (continued)

Special Purpose Funding Vehicles (continued)

It is considered inappropriate for these mortgage assets to be derecognised by the Society in accordance with IFRS 9. This is due to the Society retaining significant risks, being exposure to credit risk and prepayment risk, and rewards of ownership of these financial assets. As such, the Society has not truly transferred ownership, so has continued to recognise the mortgage assets on its balance sheet. The beneficial interest transferred in the mortgage assets is recognised as a deemed loan to the SPV, included in 'Other assets, prepayments and accrued income' within the Society's Statement of Financial Position, and is fully eliminated at the Group level on consolidation in accordance with IFRS 10.

(d) Financial instruments

(i) Classification and measurement

Financial assets

In accordance with IFRS 9, the Group has classified its financial assets with reference to both the Group's business model for managing the assets and the contractual cash flow characteristics of the assets. The Group's financial assets have been classified into the following categories:

- **At amortised cost**

These are assets for which the business model is to hold the asset and collect the contractual cash flows, and those cash flows are solely payments of principal and interest. This means that cash flows typically occur on pre-determined dates and that interest primarily reflects the time value of money, compensation for credit risk and a profit margin.

The Group has classified the following assets as 'at amortised cost': cash in hand and balances with the Bank of England, loans and advances to credit institutions and loans and advances to customers, with the exception of a collateral loan which represents a pool of equity release mortgages purchased from a third party for which some but not all risks were transferred to the Group.

Assets held at amortised cost are initially recorded at fair value (usually transaction price) plus any directly attributable costs. They are subsequently measured using the effective interest rate (EIR) method less provisions for impairment.

- **At fair value through other comprehensive income (FVOCI)**

These are categories of assets for which the business model is to hold the asset and collect the contractual cash flows or to sell the assets. The contractual cash flows must be solely payments of principal and interest. The Group holds investment securities in order to meet current and future liquidity requirements, and these are considered to meet the definition of the hold or sell business model. They are therefore classified as 'at FVOCI', apart from those assets for which the cash flows are not solely payments of principal and interest, as noted below.

These assets are initially recognised at fair value adjusted for any attributable costs. Subsequent changes in fair value are recognised in other comprehensive income, except for impairment losses which are recognised in profit or loss. Upon derecognition, any accumulated movements in fair value previously recognised in equity are reclassified to profit or loss in the Income Statement.

Premia and discounts arising on the purchase of assets held at FVOCI are spread over the life of the asset using the EIR method.

- **At fair value through profit or loss (FVTPL)**

Assets for which the business model is not 'to hold' or 'to hold or sell', or those for which contractual cash flows are not solely payments of principal and interest, are classified as 'at FVTPL'. The Group has classified the collateral loan which represents a pool of equity release mortgages as 'at FVTPL' since the underlying contract with the member contains a 'no negative equity guarantee' that any shortfall arising on the sale of the property securing the mortgage will not be pursued.

IFRS 9 mandates that derivative financial instruments are classified as 'at FVTPL'.

Instruments classified as 'at FVTPL' are initially recognised at fair value and any subsequent changes in fair value are recognised immediately in the Income Statement. The exception to this is for those derivative financial instruments designated in cash flow hedge accounting relationships, where the effective portion of any changes in fair value is recognised in other comprehensive income (see Note 1(d)(iv)).

Financial liabilities

All financial liabilities are classified as 'at amortised cost', with the exception of derivative financial instruments which under IFRS 9 are mandatorily classified as 'at FVTPL'.

Financial liabilities are initially recorded at their fair value, and those to be measured at amortised cost are subsequently measured using the EIR method. The premia and discounts, together with commissions and other costs incurred in the raising of wholesale funds and subordinated liabilities, are amortised over the period to maturity using the EIR method. Those liabilities measured 'at FVTPL' are initially recognised at fair value and any subsequent changes in fair value are recognised immediately in the Income Statement apart from for those instruments designated in cash flow hedge accounting relationships, as above.

1. Accounting policies (continued)

(d) Financial instruments (continued)

(ii) 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 on the Statement of Financial Position when substantially all of the risks and rewards of ownership remain within the Group, and the counterparty liability is included separately on the Statement of Financial Position as appropriate. Where applicable, the difference between sale and repurchase price is accrued over the life of the agreement using the EIR method.

(iii) Recognition and derecognition of financial assets and liabilities

Regular way purchases and sales of financial assets are recognised on the settlement date, being the date on which the Group commits to receive or deliver the asset.

Financial assets are only derecognised when the contractual rights to receive cash flows from them have expired or when the Group has transferred substantially all risks and rewards of ownership. Within the accounts, the Society has not derecognised the mortgage loans which have been used to secure the issue of debt securities as substantially all the risks and rewards are retained by the Society and the Society retains control of the assets.

Financial liabilities are only derecognised when the obligation is discharged, cancelled or has expired.

(iv) Derivative financial instruments and hedge accounting

During the financial year the Group continued to apply the IAS 39 hedge accounting standards for its macro fair value hedges, as permitted by IFRS 9. The Group applies IFRS 9 hedge accounting requirements for the accounting of the micro fair value hedges and the macro cash flow hedge.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured monthly at their fair value. The need for credit valuation adjustments is considered in the determination of the fair value of derivatives. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

All derivatives are entered into by the Group for the purpose of providing an economic hedge; however certain criteria must be met before the instruments can be allocated to accounting hedge relationships. The Group makes use of accounting hedges to reduce volatility in the Income Statement. If derivatives are not designated in accounting hedges, then changes in fair values are recognised immediately in the Income Statement.

A fair value hedge is used to hedge exposures to variability in the fair value of financial assets and liabilities, such as fixed rate mortgages and savings products. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the relationship is de-designated and the adjustment to the carrying amount of the hedged item is amortised to the Income Statement over the period to maturity.

For the purposes of the fair value liability hedge, the Group includes fixed rate ISAs in the population of products eligible for inclusion in the hedge as permitted under the 'carve out' applied when IAS 39 was adopted for use in the European Union and subsequently transposed into IFRS as adopted by the United Kingdom.

The Group applies macro cash flow hedge accounting to a portion of its floating rate financial liabilities, which are designated in the hedge alongside interest rate swaps that have been transacted to economically hedge mortgage applications prior to completion of the mortgage. Where a derivative financial instrument is designated in a macro cash flow hedge, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income and recycled to the Income Statement over the life of the forecast transaction. The effective portion recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis. Any ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss immediately.

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.

If the forecast transaction is no longer expected to occur, the cumulative unrealised gain or loss recognised in equity is then recognised immediately in the Income Statement.

(v) 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.

The Group has entered into ISDA master netting agreements for its derivatives. The ISDA master netting agreements grant a legal right of offset for transactions with the same counterparty but this does not necessarily result in an offset of financial assets and liabilities within the Statement of Financial Position, as the Group does not always intend to settle the assets and liabilities simultaneously.

Year ended 31 December 2025

1. Accounting policies (continued)

(e) Impairment of financial assets

Impairment losses are calculated for all financial assets held at amortised cost or at FVOCI. Loss provisions are also held against undrawn loan commitments, where a loan offer has been issued to a member and remains unexpired, but the loan has not yet completed and so has not yet been recognised in the Statement of Financial Position.

Impairment loss provisions are calculated to cover future losses expected to emerge over a defined time period, dependent on the stage allocation of the individual asset, as set out below. This approach to impairment losses is known as the expected credit losses (ECL) basis.

- Stage 1 – assets are allocated to this stage on initial recognition and remain in this stage if there has not been a significant increase in credit risk since initial recognition. Impairment losses are recognised to cover 12-month ECL, being the proportion of lifetime ECL arising from default events expected within 12 months of the reporting date.
- Stage 2 – assets where it is determined that there has been a significant increase in credit risk since initial recognition, but where there is no objective evidence of impairment. Impairment losses are recognised to cover lifetime ECL.
- Stage 3 – assets where there is objective evidence of impairment, that is when they are considered to be in default or in the cure period following default (see below for full definition of default). Impairment losses are recognised to cover lifetime ECL.

Assets continue to be recognised, net of impairment loss provisions, until there is no reasonable prospect of recovery, which is generally at the point at which the property securing the loan is sold. If a loss is ultimately realised, it is written off against the provision previously made. Any subsequent recoveries are recognised directly in the Income Statement as a credit to impairment, as they arise.

(i) Impairment of loans and advances to customers

The primary driver in determining whether an individual loan has had a significant increase in credit risk is a quantitative assessment of the increase in lifetime probability of default (PD). At each reporting date, lifetime PD is recalculated and compared to the lifetime PD calculated on initial recognition. The loan is allocated to Stage 2 if the lifetime PD has increased over a pre-determined threshold, which is set using a test-based approach and expressed as a percentage increase, segmented by product type and risk banding at the date of initial recognition.

In addition to the above, qualitative criteria have been set such that loans which are considered to have a significantly increased credit risk but would not be captured above are moved to Stage 2. These qualitative criteria include loans which have reached the end of their contractual term and loans where the member has been identified as bankrupt but is not in arrears. A backstop is also in place such that all loans which are 30 days past due are moved to Stage 2.

Definition of default: An individual loan is considered to be in default and is allocated to Stage 3 if the loan is more than 90 days past due, is subject to certain forbearance activities, is in possession, meets 'unlikely to pay' criteria or if the member has been identified as bankrupt and is in arrears by more than a nominal amount. A cure period is in place such that the loan would move back out of Stage 3 if the loan exits default and remains not in default for more than 12 months or, for loans subject to forbearance, if 12 consecutive full payments are made after the forbearance activity has completed. The Group's definition of default aligns to the regulatory definition under the IRB approach for capital requirements.

ECL is calculated by multiplying loss given default (LGD), PD and exposure at default (EAD). Each element of the calculation is modelled at individual account level on a monthly basis over the remaining contractual term of the loan, with the first 12 months totalled to obtain the 12-month ECL and the lifetime ECL obtained by totalling the above over the full contractual life of the loan. Modelling assumptions are based on historical data analysis of the impact of economic variables on loan behaviour. These assumptions are then applied to the forecast economic scenarios to predict future loan behaviour.

The overall ECL recorded in the financial statements is calculated as the probability weighted ECL over a range of possible forecasted macroeconomic scenarios.

The Group utilises a wide range of forbearance strategies to support members in financial difficulty, working with members on a case by case basis to determine the most suitable approach. The implementation of a forbearance strategy does not give rise to the derecognition of the loan.

Post Model Adjustments (PMAs): PMAs are applied to modify the level of impairment loss provisions from that calculated by the detailed models used to determine ECL. They are used where there is a material risk that is not adequately captured within modelled ECL as a result of a lack of historical data with which to model or due to ongoing uncertainty. Judgement is required in determining whether a PMA should be used and the appropriate quantum of the adjustment. All PMAs are subject to approval by Credit Committee and must be reviewed and reapproved at least annually.

At 31 December 2025, the total recognised as a result of the PMAs used by the Group was £4.2 million (2024: £15.5 million). Further details are provided in Note 2(b)(i).

1. Accounting policies (continued)

(e) Impairment of financial assets (continued)

(ii) Impairment of liquid assets

The Group reviews the external credit ratings of its liquid assets (cash in hand and balances with the Bank of England, loans and advances to credit institutions and investment securities) at each reporting date. Those assets which are of investment grade (external credit rating of Aaa to Baa3 or equivalent) are considered to have low credit risk and therefore are assumed to have not had a significant increase in credit risk since initial recognition, as allowed by IFRS 9. Liquid assets which are not of investment grade are assessed on an individual basis.

ECL is calculated by multiplying LGD, PD and EAD. LGD is calculated based on publicly available data on historic recovery rates by product and PDs are similarly based on public information and analysis performed by third parties to derive PDs for similar products.

(f) Interest receivable and payable and similar income and charges

Interest income and expense on all financial instruments are recognised in interest receivable or payable in the Income Statement. Interest income and expense are calculated using the EIR method for financial assets and liabilities held at amortised cost and classified as 'at FVOCI'.

The EIR method is a method of allocating the interest income or interest expense to the carrying value over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts, over the expected life of the financial instrument, to the net carrying amount of the instrument.

Specifically, for mortgage assets with a fixed interest rate period, the effect of this policy is to spread over the fixed term (or shorter period, if deemed appropriate) the impact of cashbacks, arrangement and valuation fees, early redemption charges and costs directly attributable and incremental to setting up the loan. Expected lives of mortgage assets are reassessed at each Statement of Financial Position date and any changes are reflected in the EIR calculation, resulting in an adjustment to the spread that is recognised in the Income Statement. For investment securities, the EIR method spreads any premia or discounts arising on the purchase of the asset over the period to the maturity date of the asset.

Interest received on the collateral loan and investment securities classified as 'at FVTPL' is recognised within 'Interest receivable and similar income'. Amounts accrued and settled in relation to coupon payments and receipts which are contractually due on derivative financial instruments are recognised within 'Interest receivable and similar income' for all derivatives which are economic hedges of financial assets, regardless of whether or not they are in an accounting hedge relationship, and within 'Interest payable and similar charges' for all derivatives which are economic hedges of financial liabilities. All other movements in the fair value of assets held 'at FVTPL' are recognised through 'Fair value gains less losses from financial instruments'.

(g) Fees and commissions receivable

Fees and commissions are earned on referral of members to third party service providers. The Group's performance obligation is satisfied at the point of referral and income is recognised at this point. Commission received by the Group from third parties may be required to be repaid at a later date if certain policies are cancelled.

(h) Intangible assets

An intangible asset is an identifiable non monetary asset without physical substance. An intangible asset is recognised to the extent it is probable that expected future economic benefits will flow from it and the costs can be measured reliably. Intangible assets primarily arise from IT development activity and the cost of the asset includes both external costs, such as software licences and IT development services, and the costs of Group colleagues directly involved in the development of the asset.

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment. Amortisation of such assets is charged to the Income Statement on a straight-line basis over the useful life of the asset once it is ready for use. Useful lives of intangible assets are assessed on an individual asset basis and are reviewed at each Statement of Financial Position date. Upon initial recognition, the Group generally applies the following useful lives:

Core systems – ten years

System enhancements or non core additions – five years

Intangible assets are reviewed for impairment at each Statement of Financial Position date or when there is an indication of impairment. Impairment occurs when the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use, calculated using the discounted cash flow method. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Any impairment in the value of these assets is recognised immediately as an expense in the Income Statement.

Year ended 31 December 2025

1. Accounting policies (continued)

(i) Property, plant and equipment

Freehold and long leasehold properties are revalued every three years by an independent firm of valuers. The fair value of the properties is determined from market-based evidence reflecting the property's highest and best use. Any increase in value is recognised through other comprehensive income in the revaluation reserve, unless the increase represents the reversal of a previous impairment, in which case it is recognised through the Income Statement. Any reduction in value is recognised through other comprehensive income as the reversal of previous revaluation gains or as an impairment through the Income Statement if no such gains exist.

No provision is made for depreciation of freehold and long leasehold properties as, in the opinion of the Board, their residual value will not be materially different to their carrying value.

All other items of property, plant and equipment are initially recognised at cost and then depreciated. Depreciation is calculated on a straight line basis, to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Short leasehold properties	unexpired lease term
Improvements to properties	eight to ten years
Office and computer equipment	three to five years

Property, plant and equipment are reviewed annually for indications of impairment. Impairment losses are recognised immediately as an expense in the Income Statement.

(j) Leases

The Group classifies all contracts which give the right to control the use of an identified asset for a period of time in exchange for a consideration as leases.

(i) Lessee

At the commencement of a lease, the Group recognises a right-of-use asset within 'Property, plant and equipment' and a lease liability within 'Other liabilities and accruals' in the Statement of Financial Position. The lease liability is initially measured at the present value of all contractual payments that are unpaid at the commencement date, discounted using the Group's cost of borrowing at the date of inception of the lease. The calculation of the lease liability reflects the Group's judgement as to whether it will exercise a purchase, extension or termination option. For leases of land and buildings, the Group has elected not to separate non lease components and to account for the lease and non lease components as a single lease component.

Interest is charged on the lease liability at the Group's cost of wholesale borrowing at the date of inception of the lease and recorded in 'Interest payable and similar charges' within the Income Statement.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at an amount equal to the lease liability. It is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term (or the end of the estimated useful life for the equivalent item of property, plant and equipment if shorter). Right-of-use assets are reviewed annually for indications of impairment. Impairment losses are recognised immediately as an expense in the Income Statement.

No right-of-use asset or lease liability is recognised for leases with a lease term of less than 12 months and leases of low value items. Lease payments associated with these leases are recognised within administrative expenses on a straight-line basis over the lease term.

(ii) Lessor

All of the Group's leases where the Group acts as a lessor are classified as operating leases. The Group recognises lease payments received under operating leases in line with receipt of payments, within 'Other operating income'.

(k) Retirement benefits

(i) Defined contribution pension scheme

Payments to defined contribution retirement benefit schemes are recognised as an expense in the Income Statement as they fall due.

(ii) Defined benefit pension scheme

Reported within the Statement of Financial Position is the Group's defined benefit pension scheme obligation, which represents the fair value of scheme assets less the present value of the defined benefit obligation. Where the fair value of the scheme assets exceeds the present value of the defined benefit obligation, the amount reported as an asset on the Statement of Financial Position is limited to the maximum economic benefit the Group can access, known as the asset ceiling.

1. Accounting policies (continued)

(k) Retirement benefits (continued)

(ii) Defined benefit pension scheme (continued)

Remeasurement of the defined benefit pension scheme obligation, which comprises of actuarial gains and losses, the effect of the asset ceiling (excluding interest), and the return on plan assets (excluding interest income), is recognised immediately in the Statement of Financial Position with a corresponding debit or credit to retained earnings through other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

Also included within the Group's defined benefit pension scheme obligation is the unfunded present value of the arrangement relating to one sole member of an Employer-Financed Retirement Benefits Scheme, whose benefits are still in payment.

(l) Tax

Tax on the profits for the period comprises current tax and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable at the Statement of Financial Position date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised where there is a temporary difference between the carrying amount of assets and liabilities in the Statement of Financial Position and the amounts used for the calculation of corporation tax. Deferred tax liabilities are generally recognised for all taxable temporary differences apart from those arising on investments in subsidiaries where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the Statement of Financial Position date.

(m) Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the appropriate rates of exchange prevailing at the Statement of Financial Position date and exchange differences are included in the Income Statement. All foreign currency income and expense is translated into sterling at the rate of exchange on the day of receipt or payment.

(n) Segmental reporting

The Group's chief operating decision maker has been identified as the CEO, who reviews the Group's internal reporting and is responsible for all significant decisions. The Group has determined that it has one reportable segment under IFRS 8 *Operating Segments* as the CEO reviews performance and makes decisions on the Group as a whole. Therefore, no separate segmental reporting note has been provided. No segmental analysis is required on geographical lines as substantially all the Group's activities are in the United Kingdom.

2. Critical accounting estimates and judgements

The preparation of these financial statements involves making judgements in the application of accounting policies which affect the amounts recognised in the financial statements. In addition, the Group makes estimates and assumptions which could affect the reported amounts of assets and liabilities in the next financial year and beyond.

The Group reviews all critical judgements and estimates on a regular basis, including approval by the Audit Committee as explained on pages 118 to 124, to ensure that these remain appropriate. The critical judgements and estimates which have a significant impact on the financial statements of the Group are described below.

(a) Critical judgements

(i) Classification of financial assets

Management judgement is applied in the classification of financial assets in determining the business model for managing the assets and in determining whether the contractual cash flows are solely payments of principal and interest.

In the case of the collateral loan which represents a pool of equity release mortgages, the existence of the no negative equity guarantee (which means that certain receipts would be foregone in the event of a shortfall on sale) is judged not to be consistent with payments being solely principal and interest. The 'no negative equity' feature of the equity release mortgages could be considered to represent an insurance contract, but the accounting standards permit the continued application of IFRS 9 to this type of loan following the publication of IFRS 17 Insurance Contracts. The collateral loan is therefore classified under IFRS 9 as a financial instrument measured 'at FVTPL'.

Year ended 31 December 2025

2. Critical accounting estimates and judgements (continued)

(a) Critical judgements (continued)

(ii) Impairment of loans and advances to customers

Significant increase in credit risk

As described in Note 1(e)(i), a test-based approach is used to determine the thresholds, expressed as a percentage increase, over which an increase in lifetime PD compared to the lifetime PD calculated on initial recognition represents a significant increase in credit risk. Management judgement is applied to determine the appropriate tests required to derive the thresholds. The tests, which have been applied consistently with the previous year, aim to move loans through the stages in a timely manner, so that loans move to Stage 2 in advance of falling into arrears and to Stage 3 in advance of default, thus minimising the reliance on the 30 days past due and 90 days past due backstops respectively.

If all loans were assessed as having experienced a significant increase in credit risk and therefore provisions were recognised to cover lifetime ECL (i.e. all loans currently classified as Stage 1 were moved to Stage 2), impairment loss provisions at 31 December 2025 would increase modelled ECL by £12.6 million (2024: £13.8 million).

Definition of default

The definition of default is set out in Note 1(e)(i). Management has judged that the definition of default for impairment loss calculations should be aligned to the IRB regulatory definition of default. Further, it is management's judgement that 12 months is the appropriate cure period for recovery from default.

Climate-related risks

Management has considered and reflected on the potential impact of climate-related risks on the Group's financial position and performance. The assessment highlighted a material impact on the Group's residential loan portfolio. To quantify the risk, Management performed an assessment over the Group's loan portfolio to evaluate whether the potential effects of physical and transitional risk of climate change would have a material impact on the Group's financial position as at 31 December 2025. This resulted in the recognition of an in-model adjustment of £1.5 million (31 December 2024: £1.7 million) which reflects the additional ECL that could potentially be incurred due to the physical risk of flooding or coastal erosion. The transitional risk element of climate change has been explored, specifically in relation to the potential impact of minimum EPC requirements on impairment loss provisions, however the current level of risk is immaterial. This is further supported by the limited information that is available in relation to future UK government policies concerning minimum EPC requirements. Currently, the impact of climate-related risks on the Group is minimal, with the primary impact relating to ECL which is considered via the in-model adjustment for physical risk. As future government policies and economic and regulatory responses to climate-related risks continue to evolve, future impacts remain inherently uncertain and cannot be reliably incorporated into assessments at this stage.

(iii) Intangible assets

The Group applies judgement as to whether IT development activity results in an asset that qualifies for recognition as an intangible asset. For an asset to be recognised under IAS 38 *Intangible Assets* it must be probable that future economic benefits will flow from the asset and the cost of the asset must be able to be measured reliably. For each significant project undertaken by the Group, an assessment is performed by the relevant business area of whether a separately identifiable asset is being developed and the level of future benefits flowing from the asset.

Intangible assets are reviewed annually for indications of impairment, which includes the application of judgement as to whether it is probable that future economic benefits will be realised from the asset, and whether the value in use of the asset is in excess of the carrying value (see Note 17 for further information).

2. Critical accounting estimates and judgements (continued)

(b) Significant accounting estimates and assumptions

(i) Impairment losses on loans and advances to customers

Wherever possible, the calculation of impairment loss provisions for loans and advances to customers has been performed using statistical modelling. For the UK residential mortgage portfolio, PD is modelled based on analysis of how macroeconomic variables have impacted the performance of loans with similar credit risk characteristics historically. LGD is modelled based on projected house prices combined with analysis of historic experience of forced sale discounts.

The significant estimates required for the calculation of impairment loss provisions are forecast UK macroeconomic variables, the probability weightings of the macroeconomic scenarios used and the calculation of post model adjustments.

Macroeconomic scenarios and probability weightings

The Group has used four macroeconomic scenarios (2024: four), which are considered to represent a reasonable range of possible outcomes, in determining impairment loss provisions.

Scenarios are developed by the Group based on analysis of third party published economic data and forecasts. The relative weighting of the macroeconomic scenarios is derived by determining the point in the economic cycle at which the UK economy sits at the date of the Statement of Financial Position. This indicates a possible range of outcomes for each scenario based on defined boundaries. Management judgement is then applied to determine the appropriate point within the ranges, informed by current relevant market, macroeconomic and political factors and the degree of uncertainty inherent in the UK economy.

The scenarios have been revised during the year, through updates to the underlying macroeconomic assumptions and the associated probability weightings. Compared with the prior year, the weighting applied to the central scenario has been reduced by 10%, with a corresponding increase in the downside scenario, to reflect heightened uncertainty in the UK economic outlook, driven by increased volatility and elevated downside risks arising from geopolitical tensions.

	31 Dec 2025	31 Dec 2024
Central scenario Central scenario reflecting slightly stronger growth in the economy in later years as inflation drops back to target. Economic growth in this scenario is further supported through reductions in the Bank of England base rate (BBR) in the near-term, which is then maintained at 3.50% (2024: 3.25%), and increasing levels of government spending and investment. The scenario assumes a resilient labour market, with modest improvement in the level of unemployment over the medium term and stabilisation in the longer term.	40%	50%
Downside scenario Downside scenario as modelled in the Group's risk management process reflecting a '1 in 20' stress scenario, with weak consumer spending resulting in a reduction in gross domestic product (GDP), a rise in unemployment and reductions in house prices due to heightened uncertainty and higher interest rates. The scenario assumes that BBR initially rises to help reduce entrenched level of higher inflation, before being cut in order to tackle the effects of the would-be recession on the UK economy.	35%	25%
Alternative downside scenario Alternative scenario representing a more severe downturn than in the downside scenario. This initially has very high levels of persistent inflation resulting in a period of higher BBR to reduce demand, with the economy then subject to a further external shock resulting in sharp falls to consumer confidence, steep falls in demand, and falling growth. These conditions drive increased unemployment for a prolonged period, with a fall in demand across the housing market, causing greater reductions in house prices in the earlier years of the forecast. As demand collapses, BBR is then reduced quickly to try and stimulate the economy.	10%	10%
Growth scenario Growth scenario representing a more optimistic view of the current economic outlook than assumed in the central scenario. This includes higher GDP as investment spend in artificial intelligence and associated supporting infrastructure picks up, improving productivity growth and supporting higher real wages. This higher level of aggregate demand has a positive impact on the unemployment rate which is lower than the central scenario. The scenario assumes that as inflation returns to target, there are further reductions in BBR to a long run rate of 3.00% (2024: 3.00%), which contribute to mortgage rates falling further.	15%	15%

Year ended 31 December 2025

2. Critical accounting estimates and judgements (continued)

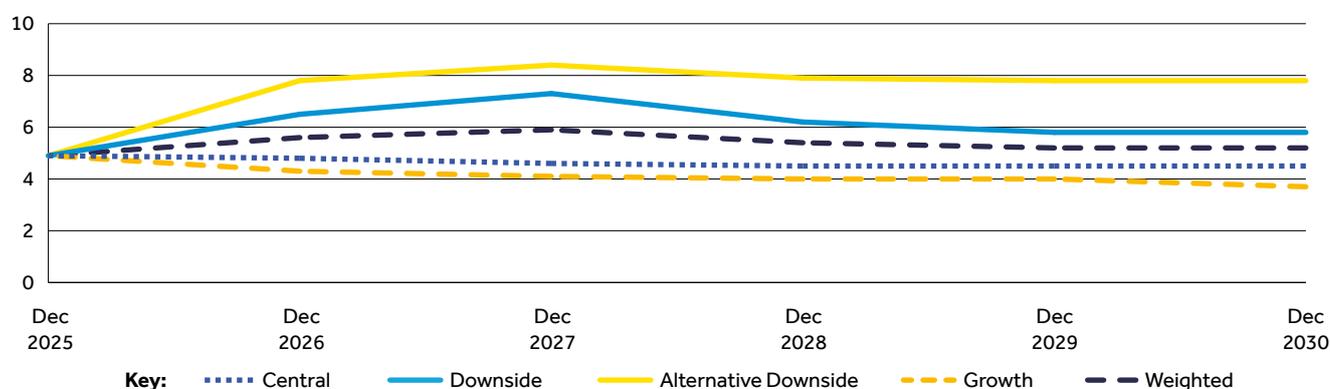
(b) Significant accounting estimates and assumptions (continued)

(i) Impairment losses on loans and advances to customers (continued)

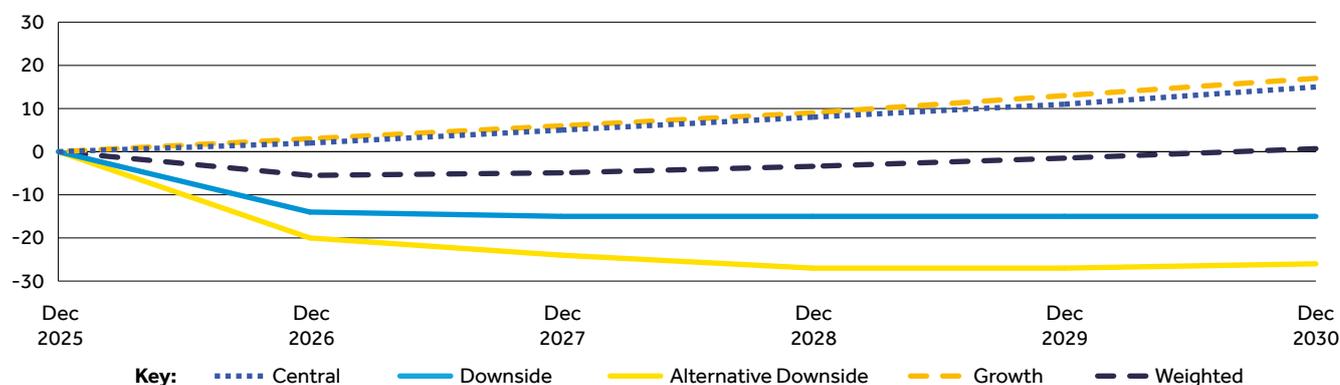
The tables on pages 175 show the macroeconomic assumptions used in each scenario. The variables with the most significant impact on the calculated impairment loss provisions are house price inflation and unemployment rate. The tables show the full year rates for house price inflation and GDP growth, together with the year end position for unemployment rate and base rate. Beyond the five-year period shown, assumptions move towards historic long run averages over the following five years and then remain constant at these rates thereafter.

The charts below illustrate the unemployment assumptions and the cumulative impact of the annual house price inflation assumptions across all four scenarios.

Unemployment rate (%)



House price inflation (December 2025 = 0)



2. Critical accounting estimates and judgements (continued)

(b) Significant accounting estimates and assumptions (continued)

(i) Impairment losses on loans and advances to customers (continued)

Macroeconomic assumptions as at 31 December 2025

Scenario/weighting	Assumption	2026 %	2027 %	2028 %	2029 %	2030 %
40% Central	House price inflation	2.00	3.00	3.00	3.00	3.00
	Unemployment rate (31 December)	4.80	4.60	4.50	4.50	4.50
	Gross domestic product growth	1.30	1.50	1.50	1.50	1.50
	Base rate (31 December)	3.50	3.50	3.50	3.50	3.50
		Year 1	Year 2	Year 3	Year 4	Year 5
35% Downside	House price inflation	(13.70)	(2.00)	0.00	0.00	1.00
	Unemployment rate (31 December)	6.50	7.30	6.20	5.80	5.80
	Gross domestic product growth	(0.75)	(1.25)	1.00	1.00	1.00
	Base rate (31 December)	6.00	3.00	0.75	0.25	0.25
10% Alternative downside	House price inflation	(20.00)	(5.00)	(4.00)	0.00	1.00
	Unemployment rate (31 December)	7.80	8.40	7.90	7.80	7.80
	Gross domestic product growth	(0.20)	(4.20)	2.10	1.50	1.50
	Base rate (31 December)	6.50	4.50	1.00	0.10	0.10
15% Growth	House price inflation	3.00	3.00	3.00	3.60	3.30
	Unemployment rate (31 December)	4.30	4.10	4.00	4.00	3.70
	Gross domestic product growth	1.60	2.00	2.00	2.00	2.10
	Base rate (31 December)	3.75	3.50	3.25	3.00	3.00
Weighted*	House price inflation	(5.50)	0.45	1.25	1.70	2.15
	Unemployment rate (31 December)	5.60	5.90	5.40	5.20	5.20
	Gross domestic product growth	0.60	0.05	1.50	1.40	1.40
	Base rate (31 December)	4.70	3.40	2.25	1.95	1.95

Macroeconomic assumptions as at 31 December 2024

Scenario/weighting	Assumption	2025 %	2026 %	2027 %	2028 %	2029 %
50% Central	House price inflation	2.80	3.00	3.00	2.50	2.50
	Unemployment rate (31 December)	4.40	4.30	4.20	4.20	4.20
	Gross domestic product growth	1.50	1.60	1.60	1.60	1.50
	Base rate (31 December)	4.00	3.50	3.25	3.25	3.25
		Year 1	Year 2	Year 3	Year 4	Year 5
25% Downside	House price inflation	(13.70)	(2.00)	0.00	0.00	1.00
	Unemployment rate (31 December)	6.50	7.30	6.20	5.80	5.80
	Gross domestic product growth	(0.75)	(1.25)	1.00	1.00	1.00
	Base rate (31 December)	6.00	3.00	0.75	0.25	0.25
10% Alternative downside	House price inflation	(20.00)	(5.00)	(4.00)	0.00	1.00
	Unemployment rate (31 December)	7.80	8.40	7.90	7.80	7.80
	Gross domestic product growth	(0.20)	(4.20)	2.10	1.50	1.50
	Base rate (31 December)	6.50	4.50	1.00	0.10	0.10
15% Growth	House price inflation	4.20	3.00	3.00	3.00	2.75
	Unemployment rate (31 December)	4.20	4.00	3.80	3.80	3.70
	Gross domestic product growth	1.90	2.20	2.20	2.20	2.10
	Base rate (31 December)	4.00	3.50	3.25	3.00	3.00
Weighted*	House price inflation	(3.40)	0.95	1.55	1.70	2.00
	Unemployment rate (31 December)	5.20	5.40	5.00	4.90	4.90
	Gross domestic product growth	0.80	0.40	1.60	1.50	1.50
	Base rate (31 December)	4.75	3.50	2.40	2.15	2.15

* Note that ECLs are calculated for each loan in each scenario and then probability weighted, so the weighted figure here is for illustrative purposes only.

Year ended 31 December 2025

2. Critical accounting estimates and judgements (continued)

(b) Significant accounting estimates and assumptions (continued)

(i) Impairment losses on loans and advances to customers (continued)

Modelled residential impairment loss provisions totalled €39.5 million at 31 December 2025 (2024: €29.9 million), with PMAs of €4.2 million (2024: €15.5 million) contributing to total provisions of €43.7 million (2024: €45.4 million). Overall, total loss provisions decreased during the year, primarily driven by incorporation of PMAs into the ECL model calculations. The affordability PMA decreased once modelled, with the element of the model risk PMA relating to high-risk lending also decreasing once modelled. This decrease following model changes was offset slightly by updated macroeconomic scenarios.

The sensitivity of modelled impairment loss provisions at 31 December 2025 to changes in key individual macroeconomic variables, with all other assumptions held constant, is illustrated below. Note that due to the interaction between different economic variables within the impairment loss provision models, the impacts of such single variable sensitivities may be distorted and are not representative of realistic alternative downside scenarios.

The impact of changing the assumption for annual house price inflation in each of the first two years of the central scenario is as follows:

	+ 10.0 percentage points	+ 5.0 percentage points	- 5.0 percentage points	- 10.0 percentage points
(Decrease)/increase in impairment loss provisions (€M)	(1.3)	(0.8)	0.7	1.8

The impact of changing the assumption for unemployment in each of the first two years of the central scenario is as follows:

	+ 2.0 percentage points	+ 1.0 percentage point	- 1.0 percentage point	- 2.0 percentage points
Increase/(decrease) in impairment loss provisions (€M)	2.0	0.7	(0.4)	(0.5)

In practice, the above variables are unlikely to move in isolation. The combined impact of movements in a number of variables can be illustrated by the sensitivity of calculated provisions to scenario weightings. The table below shows the movement in impairment loss provisions if each of the scenarios were weighted 100%:

	2025 €M	2024 €M
(Decrease)/increase in impairment loss provisions if scenarios are weighted 100%:		
Central	(21.5)	(12.3)
Downside	11.0	12.8
Alternative downside	145.4	91.9
Growth	(22.1)	(12.8)

2. Critical accounting estimates and judgements (continued)

(b) Significant accounting estimates and assumptions (continued)

(i) Impairment losses on loans and advances to customers (continued)

The total residential impairment loss provisions (including PMAs) if the central scenario was weighted 100% would be £22.2 million (2024: £33.1 million) compared to £43.7 million (2024: £45.4 million) when the scenarios are weighted. The increased sensitivity to 100% weighting of the alternative downside scenario in 2025 is due to enhancements made to the underlying ECL models, which increase the probability of default under the severe economic conditions specific to the alternative downside scenario.

Changes to macroeconomic assumptions, as expectations change over time, are likely to lead to volatility in impairment loss provisions and may lead to procyclicality in the recognition of impairment losses.

Post model adjustments (judgemental adjustments)

At 31 December 2025, the total of PMAs applied by the Group was £4.2 million (2024: £15.5 million). These adjustments were applied to cover the following:

- The residual risk in a limited subset of legacy shared ownership cases, where historical documentation retention may restrict recoveries under the Mortgagee Protection Clause resulting in losses.
- Uncertainty over the timing of remediation of cladding issues in high rise flats. This could result in lower valuations and challenges obtaining new mortgages on these properties, with the potential to impact on the value of the Group's collateral and thus calculated losses in the event of default.
- The risk of inherent bias in house price indexes for a specific cohort of properties in the Group's portfolio due to market conditions during the Covid-19 pandemic. This could result in higher valuations and lead to the calculation of understated losses in the event of default.
- The risk associated with the calibration of the ECL models using Covid-19 impacted possessions data, which may underestimate the probability of possession following a default event.

The affordability PMA of £8.0 million at 31 December 2024, which addressed the potential impacts of inflationary pressures, the cost of living crisis and residential mortgage rate increases on member affordability has been removed as this risk has now been incorporated into the ECL model calculations.

Year ended 31 December 2025

2. Critical accounting estimates and judgements (continued)

(b) Significant accounting estimates and assumptions (continued)

(i) Impairment losses on loans and advances to customers (continued)

Consent to mortgage PMA – £1.6 million (2024: nil)

The Group has recognised a new PMA in 2025 which addresses the residual loss risk following the retightening of the Group's shared ownership lending policy, identified during an internal review of properties in possession. The PMA reflects the potential impact of historical consent to mortgage documentation retention in a subset of legacy shared ownership loans, which could constrain recoveries under the Mortgagee Protection Clause. Losses for relevant accounts have been estimated using costs and forced sale discount estimates from the ECL model.

Inadequate cladding PMA – £1.1 million (2024: £1.0 million)

Applying a consistent approach with the prior year, this PMA has been estimated by identifying properties at the highest risk of cladding issues by matching the Group's portfolio to third party postcode data and applying a range of haircuts to property valuations and making an allowance for remediation costs. The PMA is based on modelled ECL coverage, which increased following model updates and also updates to macroeconomic scenarios and weightings. The increase in the PMA was partially offset by the continued reduction in the number of accounts contributing to the PMA. This reflects that several lenders are beginning to offer mortgages on clad properties, combined with remediation work continuing.

Transaction bias PMA – £1.0 million (2024: £1.1 million)

This PMA addresses the risk that house price indexation bias exists in a specific cohort of the Group's portfolio due to market conditions present during the Covid-19 pandemic resulting in potential overvaluation, which when adjusted would result in an increase to ECL. The same methodology has been applied as previous reporting periods, by comparing the increases in indexed valuations on the Group's portfolio with alternative third party data and applying a haircut to collateral valuations.

Model risk PMA – £0.5 million (2024: £5.4 million)

This PMA addresses the risks associated with the calibration of the ECL models using Covid-19 impacted possessions data, which does not necessarily represent the risk going forwards and may underestimate the probability of possession following a default event. This uncertainty around possession emergence has led to a PMA of £0.5 million at 31 December 2025 (2024: £1.0 million). Previously, the PMA also consisted of a second element of model risk, that being uncertainty around how a segment of purpose-led lending with higher average LTV and LTI profiles would perform. This risk has now been incorporated into the ECL model calculations (2024: £4.4 million).

(ii) Fair value of the collateral loan

The Group measures the collateral loan which represents a pool of equity release mortgages at FVTPL. The fair value of this loan is calculated using a model which uses a combination of observable market data (such as interest rate curves and RPI swap rates) and unobservable inputs which require estimation, such as the discount rate, property price volatility and the haircut applied to individual sales prices. The model projects the future cash flows anticipated from the loan based on the contractual terms with the third party from which the mortgages were acquired, with the timing of those cash flows determined with reference to mortality tables (which are subject to estimation uncertainty). The model also calculates a value for the 'no negative equity guarantee' provided to the member using a stochastic methodology applying a variant of the Black-Scholes formula.

The key estimates used in the model and the basis of estimation are summarised below:

Assumption	Basis of estimation
Discount rate	Derived from current market rates for new equity release mortgages adjusted for the specific profile of the Group's portfolio, also reflects liquidity term premium in current market funding costs
Property price volatility	Analysis of historic property price volatility and external research
Sales price haircut	Average actual discounts observed on the portfolio during the 2025 and 2024 financial years

2. Critical accounting estimates and judgements (continued)

(b) Significant accounting estimates and assumptions (continued)

(ii) Fair value of the collateral loan (continued)

At 31 December 2025, the carrying value of the collateral loan was £138.9 million (2024: £145.0 million), with the reduction primarily driven by movements in underlying collateral valuations. The sensitivity of this value to the estimates shown above is as follows:

Assumption	Sensitivity modelled for current assumption	(Decrease)/increase in fair value of collateral loan (£M)
Discount rate	+/- 1 percentage point	(9.2)/10.3
Property price volatility	+/- 3 percentage points	(3.7)/3.4
Sales price haircut	+/- 5 percentage points	(3.2)/2.8

The sensitivities shown reflect a range of alternative assumptions based on observed historic data.

(iii) Fair value of the RPI-linked equity release swap

One of the Group's equity release swaps is linked to the RPI and is valued using a discounted cash flow model which uses observable market data for RPI and the discount rate used to discount future cash flows and unobservable input assumptions for prepayment rates. Wherever possible these input assumptions are calculated with reference to actual historic experience and are aligned to those assumptions used in the valuation of the collateral loan. The variable which is considered to have the largest impact on the value of the swap is the prepayment rate.

A one percentage point increase in the assumed prepayment rate would reduce the value of the swap liability by £0.1 million, resulting in a corresponding fair value gain in the Income Statement. A one percentage point reduction in the assumed prepayment rate would increase the value of the swap liability by £0.1 million, resulting in a corresponding fair value loss in the Income Statement.

3. Interest receivable and similar income

	Group 2025 £M	Group 2024 £M	Society 2025 £M	Society 2024 £M
Interest receivable calculated using the effective interest rate method:				
On instruments held at amortised cost:				
On loans fully secured on residential property	1,140.1	972.7	1,140.1	972.7
On other loans and advances to customers	0.4	0.4	0.4	0.4
On liquid assets	77.3	160.4	72.5	154.0
On amounts owed by subsidiary undertakings	–	–	(27.9)	–
Total interest receivable on instruments held at amortised cost	1,217.8	1,133.5	1,185.1	1,127.1
On instruments held at fair value through other comprehensive income:				
On investment securities	177.2	150.1	181.7	152.8
Total interest receivable calculated using the effective interest rate method	1,395.0	1,283.6	1,366.8	1,279.9
Similar income on instruments held at fair value through profit or loss:				
On other loans and advances to customers	12.9	13.9	12.9	13.9
Net income on derivatives that hedge financial assets and are designated in accounting hedge relationships	165.6	287.0	165.6	287.0
Net (expense)/income on derivatives that hedge financial assets and are not designated in accounting hedge relationships	(1.4)	7.6	22.2	3.2
Total similar income on instruments held at fair value through profit or loss	177.1	308.5	200.7	304.1
Total interest receivable and similar income	1,572.1	1,592.1	1,567.5	1,584.0
Included in the above is:				
Interest receivable on impaired financial assets	16.1	16.7	16.1	16.7

Year ended 31 December 2025

4. Interest payable and similar charges

	Group 2025 €M	Group 2024 €M	Society 2025 €M	Society 2024 €M
Interest payable on instruments held at amortised cost:				
On shares held by individuals	974.6	904.7	974.6	904.7
On deposits and other borrowings:				
Wholesale and other funding	172.5	246.9	137.5	217.8
Lease liabilities	0.2	0.2	0.2	0.2
On amounts owed to subsidiary undertakings	–	–	(4.8)	–
On subordinated liabilities	17.6	6.2	17.6	6.2
On subscribed capital	0.3	1.2	0.3	1.2
Total interest payable on instruments held at amortised cost	1,165.2	1,159.2	1,125.4	1,130.1
Similar charges on instruments held at fair value through profit or loss:				
Net charges on derivatives which hedge financial liabilities and are designated in accounting hedge relationships	5.0	48.3	5.0	58.4
Net (income)/charges on derivatives which hedge financial liabilities and are not designated in accounting hedge relationships	(0.6)	21.7	35.1	32.9
Total similar charges on instruments held at fair value through profit or loss	4.4	70.0	40.1	91.3
Total interest payable and similar charges	1,169.6	1,229.2	1,165.5	1,221.4

5. Other operating income/(expense)

In January 2025, the Society repurchased £223.2 million of subordinated liabilities at a discounted rate which resulted in the recognition of a €6.8 million gain in the other operating income/(expense) line in the Income Statement. The amount reported in 2024 includes the upfront cost (£23.4 million) of the Society's Permanent Interest-Bearing Shares (PIBS) buy back.

6. Fair value (losses)/gains from financial instruments

	Group 2025 €M	Group 2024 €M	Society 2025 €M	Society 2024 €M
Fair value hedge relationships				
Derivatives designated in fair value hedge relationships	(284.0)	(3.3)	(284.0)	(3.3)
Fair value adjustment for hedged risk of hedged items	249.4	(20.7)	249.4	(20.7)
Cash flow hedge relationships				
Derivatives designated in cash flow hedge relationships	29.7	29.9	29.7	29.9
Derivatives not designated in accounting hedge relationships				
Equity release swaps	4.0	11.1	4.0	11.1
Cross currency swaps	(0.1)	0.9	(0.1)	–
Other derivatives	–	–	7.8	(3.4)
Other financial instruments measured at fair value through profit or loss				
Collateral loan which represents a pool of equity release mortgages	(3.9)	(7.6)	(3.9)	(7.6)
Total fair value (losses)/gains from financial instruments	(4.9)	10.3	2.9	6.0

Fair value gains and losses arise due to accounting ineffectiveness on designated hedges, movements in the SONIA curve, or because hedge accounting could not be applied to certain items. Volatility also arises from the collateral loan which represents a pool of equity release mortgages and is measured at FVTPL. Fair value movements on the associated RPI-linked equity release swap, which is also measured at FVTPL, provide an element of economic offset to this volatility. For further information refer to Notes 31 and 32.

7. Administrative expenses

	Group & Society 2025 £M	Group & Society 2024 £M
Staff costs		
Wages and salaries	86.0	80.3
Social security costs	10.7	8.9
Pension costs	12.9	12.1
Temporary staff	2.7	3.1
Other staff costs	1.9	1.7
Remuneration of auditor (see below)	1.3	1.2
Other administrative expenses		
Technology	21.1	19.8
Development activity	29.1	23.8
Property	7.3	7.6
Legal and professional fees	5.1	3.8
Marketing	5.8	6.1
Regulatory fees	8.7	7.1
Postage and stationery	3.3	2.5
Recruitment and training	1.5	1.6
Other	6.2	5.8
Total administrative expenses	203.6	185.4

There are 32 directors, senior managers and colleagues whose actions have a material impact on the risk profile of the Group, with fixed remuneration of £7.9 million and variable remuneration of £1.7 million (2024: 34 individuals, £8.0 million and £1.2 million). Further details of directors' remuneration can be found on page 133 of the Directors' Remuneration Report.

Administrative expenses include £25.3 million of IT transformation spend in 2025 (2024: £19.4 million). This is primarily reported as development activity in the table above.

The analysis of auditor's remuneration is as follows:

	Group & Society 2025 £M	Group & Society 2024 £M
Fee payable to the Society's auditor for the audit of the Society's annual accounts	1.0	1.0
Fees payable to the Society's auditor for the audit of the Society's subsidiaries	0.2	0.1
Total audit fees	1.2	1.1
Assurance services	0.6	0.1
Total non-audit fees	0.6	0.1
Total auditor's remuneration	1.8	1.2

The above figures relating to auditor's remuneration exclude value added tax.

Year ended 31 December 2025

8. Staff numbers

The average number of colleagues employed during the year was as follows:

	Group & Society 2025 Number	Group & Society 2024 Number
Central administration	1,575	1,551
Branches	299	295
Total monthly average number of people employed	1,874	1,846
Total monthly average number of full time equivalent employees	1,742	1,712

At 31 December 2025 the total number of colleagues employed by the Group and the Society was 1,859 (2024: 1,863).

9. Impairment on loans and advances to customers

	Loans fully secured on residential property €M	Loans fully secured on land €M	Total €M
Group & Society 2025			
Impairment loss provision:			
At 1 January 2025	45.4	0.5	45.9
Reclassification*	0.4	(0.4)	-
Charge for the year	0.2	-	0.2
Amounts written off during the year	(2.7)	-	(2.7)
Movement in foreign exchange rate	0.4	-	0.4
At 31 December 2025	43.7	0.1	43.8
Income Statement			
Charge for the year	0.2	-	0.2
Recoveries of amounts previously written off	(0.1)	-	(0.1)
Total income statement charge	0.1	-	0.1

*One housing association loan has been reclassified from 'Loans fully secured on land' to 'Loans fully secured on residential property' for reporting purposes.

	Loans fully secured on residential property €M	Loans fully secured on land €M	Total €M
Group & Society 2024			
Impairment loss provision:			
At 1 January 2024	53.5	1.4	54.9
Credit for the year	(4.6)	(0.9)	(5.5)
Amounts written off during the year	(3.1)	-	(3.1)
Movement in foreign exchange rate	(0.4)	-	(0.4)
At 31 December 2024	45.4	0.5	45.9
Income Statement			
Credit for the year	(4.6)	(0.9)	(5.5)
Recoveries of amounts previously written off	(0.2)	-	(0.2)
Total income statement charge/(credit)	(4.8)	(0.9)	(5.7)

The Group's policy for calculating impairment of loans and advances to customers (including retail mortgages and loan commitments) is detailed in Note 1(e). Details of the significant accounting estimates and judgements required in the calculation of impairment loss provisions, including the incorporation of forward looking information, are provided in Note 2.

9. Impairment on loans and advances to customers (continued)

The table below summarises the Group's retail mortgage balances, loan commitments and associated impairment loss provisions. The classification of loans into stages for impairment purposes is explained in Note 1(e).

	Group & Society 2025			Group & Society 2024		
	Gross exposure £M	Impairment loss provision £M	Provision coverage %	Gross exposure £M	Impairment loss provision £M	Provision coverage %
Retail mortgages						
Stage 1	21,518.6	5.3	0.02	19,674.0	7.9	0.04
Stage 2 and <30 days past due	3,954.1	21.3	0.54	4,385.8	21.5	0.49
Stage 2 and 30+ days past due	108.4	2.1	1.94	95.5	1.8	1.88
Stage 3 and <90 days past due	135.3	1.8	1.33	145.4	2.0	1.38
Stage 3 and 90+ days past due	147.9	12.9	8.72	147.4	11.9	8.07
Total retail mortgages	25,864.3	43.4	0.17	24,448.1	45.1	0.18
Loan commitments						
Stage 1	1,242.2	0.3	0.02	1,640.6	0.3	0.02
Total impairment loss provision	27,106.5	43.7	0.16	26,088.7	45.4	0.17

The tables below provide information on movements in the gross retail mortgage exposures and associated impairment loss provisions during the year:

	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure £M	Provision 12m ECL £M	Gross exposure £M	Provision Lifetime ECL £M	Gross exposure £M	Provision Lifetime ECL £M	Gross exposure £M	Provision £M
Group & Society 2025								
At 1 January 2025	19,674.0	7.9	4,481.3	23.3	292.8	13.9	24,448.1	45.1
Transfers resulting in increased impairment loss provision:								
From Stage 1 to Stage 2	(1,601.5)	(0.5)	1,601.5	7.6	-	-	-	7.1
From Stage 1 to Stage 3	(33.3)	-	-	-	33.3	0.6	-	0.6
From Stage 2 to Stage 3	-	-	(67.2)	(0.7)	67.2	2.6	-	1.9
Transfers resulting in reduced impairment loss provision:								
From Stage 2 to Stage 1	1,662.3	0.3	(1,662.3)	(2.8)	-	-	-	(2.5)
From Stage 3 to Stage 1	16.4	-	-	-	(16.4)	(0.1)	-	(0.1)
From Stage 3 to Stage 2	-	-	35.1	0.5	(35.1)	(0.6)	-	(0.1)
Change in impairment loss provision resulting from loan modifications	-	-	-	-	-	0.6	-	0.6
Other remeasurement of impairment loss provision (no movement in Stage)	-	(3.8)	10.6	(5.7)	-	1.9	10.6	(7.6)
New advances	6,172.8	2.0	228.6	2.4	3.5	0.1	6,404.9	4.5
Redemptions and repayments	(4,372.1)	(0.6)	(565.1)	(1.2)	(49.7)	(2.0)	(4,986.9)	(3.8)
Write offs	-	-	-	-	(12.4)	(2.3)	(12.4)	(2.3)
At 31 December 2025	21,518.6	5.3	4,062.5	23.4	283.2	14.7	25,864.3	43.4

Year ended 31 December 2025

9. Impairment on loans and advances to customers (continued)

	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure €M	Provision 12m ECL €M	Gross exposure €M	Provision Lifetime ECL €M	Gross exposure €M	Provision Lifetime ECL €M	Gross exposure €M	Provision €M
Group & Society 2024								
At 1 January 2024	17,670.1	4.8	3,902.4	31.9	263.9	16.5	21,836.4	53.2
Transfers resulting in increased impairment loss provision:								
From Stage 1 to Stage 2	(2,290.0)	(0.6)	2,290.0	4.4	–	–	–	3.8
From Stage 1 to Stage 3	(42.4)	(0.1)	–	–	42.4	0.9	–	0.8
From Stage 2 to Stage 3	–	–	(76.8)	(0.9)	76.8	2.1	–	1.2
Transfers resulting in reduced impairment loss provision:								
From Stage 2 to Stage 1	1,319.2	0.3	(1,319.2)	(3.1)	–	–	–	(2.8)
From Stage 3 to Stage 1	7.5	–	–	–	(7.5)	–	–	–
From Stage 3 to Stage 2	–	–	32.3	0.1	(32.3)	(0.5)	–	(0.4)
Change in impairment loss provision resulting from loan modifications	–	–	–	–	–	0.5	–	0.5
Other remeasurement of impairment loss provision (no movement in Stage)	–	2.1	–	(8.8)	–	(0.9)	–	(7.6)
New advances	6,674.3	2.1	120.5	0.6	1.2	–	6,796.0	2.7
Redemptions and repayments	(3,664.7)	(0.7)	(467.9)	(0.9)	(51.7)	(1.6)	(4,184.3)	(3.2)
Write offs	–	–	–	–	–	(3.1)	–	(3.1)
At 31 December 2024	19,674.0	7.9	4,481.3	23.3	292.8	13.9	24,448.1	45.1

In the above tables, the impact of changes to accounting estimates and judgements, including macroeconomic scenarios and probability weightings, is included within 'other remeasurement of impairment loss provision' unless the change results in the transfer of a loan between stages in which case it is included in the relevant transfer row.

10. Tax expense

	Group 2025 £M	Group 2024 £M	Society 2025 £M	Society 2024 £M
Analysis of charge in the year				
Current tax				
UK corporation tax on profits for the year	54.6	38.5	54.7	38.5
Adjustments in respect of prior year	0.5	0.1	0.5	0.1
Total current tax	55.1	38.6	55.2	38.6
Deferred tax				
Current year	(1.7)	(0.8)	0.4	(2.2)
Adjustments in respect of prior year	(0.4)	–	(0.4)	–
Adjustments for changes in tax rates	0.1	(0.2)	0.1	(0.2)
Total deferred tax	(2.0)	(1.0)	0.1	(2.4)
Total tax charge	53.1	37.6	55.3	36.2
Tax charged/(credited) to other comprehensive income				
Tax (benefit) on cash flow hedge reserve	(10.8)	(2.4)	(10.8)	(2.4)
Tax expense/(benefit) on investment securities	2.9	(5.4)	2.9	(5.4)
Tax expense on revaluation loss on properties	0.1	–	0.1	–
Tax benefit on actuarial gains/losses on retirement benefit obligations	(0.9)	(1.0)	(0.9)	(1.0)
Total tax credit to other comprehensive income	(8.7)	(8.8)	(8.7)	(8.8)
Factors affecting total tax charge for the year:				
Profit on ordinary activities before tax	198.6	137.5	206.3	133.9
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2024: 25%)	49.7	34.4	51.6	33.5
Effects of:				
Banking surcharge	3.2	1.5	3.2	1.5
Adjustments in respect of prior year (current tax)	0.1	–	0.1	–
Expenses not deductible for tax purposes	0.4	1.3	0.4	1.3
Other differences	(0.3)	0.4	–	(0.1)
Total current tax	53.1	37.6	55.3	36.2

Adjustments in respect of prior year relate to differences between the balances in the prior year's Statements of Financial Position and the finalised balances upon completion of the prior year tax return.

The standard rate of UK corporation tax applicable to the Group for the year ended 31 December 2025 was 25% (year ended 31 December 2024: 25%) and the banking surcharge remained at 3% of taxable profits above a £100 million threshold.

Deferred tax balances have been calculated at a rate of 28% (2024: 28%), reflecting the corporation tax rate and the banking surcharge.

Consideration has been given to uncertain tax positions, and none exist (2024: none).

Year ended 31 December 2025

11. Classification of financial assets and liabilities

The following tables summarise the classification and carrying value of the Group's and Society's financial assets and liabilities:

	Amortised cost €M	FVOCI €M	FVTPL €M	Total €M
Group 2025				
Financial assets:				
Cash in hand and balances with the Bank of England	1,413.4	–	–	1,413.4
Loans and advances to credit institutions	115.2	–	–	115.2
Investment securities	–	3,921.9	–	3,921.9
Derivative financial instruments	–	(0.5)	130.0	129.5
Loans and advances to customers:				
Loans fully secured on residential property*	25,896.1	–	–	25,896.1
Other loans	3.0	–	138.9	141.9
Other assets, prepayments and accrued income	231.8	–	–	231.8
Total financial assets	27,659.5	3,921.4	268.9	31,849.8
Financial liabilities:				
Shares*	26,081.6	–	–	26,081.6
Derivative financial instruments	–	–	119.9	119.9
Amounts owed to credit institutions	0.5	–	–	0.5
Amounts owed to other customers	138.8	–	–	138.8
Debt securities in issue*	3,237.6	–	–	3,237.6
Other liabilities and accruals	43.4	–	–	43.4
Subordinated liabilities*	438.1	–	–	438.1
Subscribed capital	8.0	–	–	8.0
Total financial liabilities	29,948.0	–	119.9	30,067.9
Group 2024				
Financial assets:				
Cash in hand and balances with the Bank of England	2,443.2	–	–	2,443.2
Loans and advances to credit institutions	152.3	–	–	152.3
Investment securities	10.5	3,939.5	–	3,950.0
Derivative financial instruments	–	8.1	363.0	371.1
Loans and advances to customers:				
Loans fully secured on residential property*	24,229.6	–	–	24,229.6
Other loans	2.8	–	145.0	147.8
Other assets, prepayments and accrued income	221.4	–	–	221.4
Total financial assets	27,059.8	3,947.6	508.0	31,515.4
Financial liabilities:				
Shares*	24,538.6	–	–	24,538.6
Derivative financial instruments	–	–	98.0	98.0
Amounts owed to credit institutions	1,244.2	–	–	1,244.2
Amounts owed to other customers	159.3	–	–	159.3
Debt securities in issue*	3,131.7	–	–	3,131.7
Other liabilities and accruals	316.7	–	–	316.7
Subordinated liabilities*	334.2	–	–	334.2
Subscribed capital	8.0	–	–	8.0
Total financial liabilities	29,732.7	–	98.0	29,830.7

*Loans fully secured on residential property, Shares, Debt securities in issue and Subordinated liabilities are presented net of fair value adjustment for hedged risk. The Group and Society 2024 comparatives have been represented to reflect this.

11. Classification of financial assets and liabilities (continued)

	Amortised cost €M	FVOCI €M	FVTPL €M	Total €M
Society 2025				
Financial assets:				
Cash in hand and balances with the Bank of England	1,413.4	–	–	1,413.4
Loans and advances to credit institutions	6.1	–	–	6.1
Investment securities	–	3,921.9	–	3,921.9
Derivative financial instruments	–	(0.5)	130.0	129.5
Loans and advances to customers:				
Loans fully secured on residential property*	25,896.1	–	–	25,896.1
Other loans	3.0	–	138.9	141.9
Other assets, prepayments and accrued income	346.7	–	–	346.7
Total financial assets	27,665.3	3,921.4	268.9	31,855.6
Financial liabilities:				
Shares*	26,081.6	–	–	26,081.6
Derivative financial instruments	–	–	130.7	130.7
Amounts owed to credit institutions	0.5	–	–	0.5
Amounts owed to other customers	944.9	–	–	944.9
Debt securities in issue*	2,429.2	–	–	2,429.2
Other liabilities and accruals	39.7	–	–	39.7
Subordinated liabilities*	438.1	–	–	438.1
Subscribed capital	8.0	–	–	8.0
Total financial liabilities	29,942.0	–	130.7	30,072.7
Society 2024				
Financial assets:				
Cash in hand and balances with the Bank of England	2,443.2	–	–	2,443.2
Loans and advances to credit institutions	15.2	–	–	15.2
Investment securities	10.5	3,939.5	–	3,950.0
Derivative financial instruments	–	8.1	363.0	371.1
Loans and advances to customers:				
Loans fully secured on residential property*	24,229.6	–	–	24,229.6
Other loans	2.8	–	145.0	147.8
Other assets, prepayments and accrued income	298.0	–	–	298.0
Total financial assets	26,999.3	3,947.6	508.0	31,454.9
Financial liabilities:				
Shares*	24,538.6	–	–	24,538.6
Derivative financial instruments	–	–	117.2	117.2
Amounts owed to credit institutions	1,244.2	–	–	1,244.2
Amounts owed to other customers	791.1	–	–	791.1
Debt securities in issue*	2,495.6	–	–	2,495.6
Other liabilities and accruals	310.7	–	–	310.7
Subordinated liabilities*	334.2	–	–	334.2
Subscribed capital	8.0	–	–	8.0
Total financial liabilities	29,722.4	–	117.2	29,839.6

*Loans fully secured on residential property, Shares, Debt securities in issue and Subordinated liabilities are presented net of fair value adjustment for hedged risk. The Group and Society 2024 comparatives have been represented to reflect this.

Other assets, prepayments and accrued income relates to collateralised balances, representing amounts owed by credit institutions on cash collateralisation of derivatives, and Albion Z notes held by the Society. Other liabilities and accruals relates to collateralised balances, representing amounts owed to credit institutions on cash collateralisation of derivatives. Both meet the criteria for classification of financial instruments under IFRS 9.

Year ended 31 December 2025

12. Cash and cash equivalents

For the purposes of the Statements of Cash Flows, cash and cash equivalents comprise the following balances with a maturity of less than three months.

	Group 2025 €M	Group 2024 €M	Society 2025 €M	Society 2024 €M
Cash in hand	1.9	2.0	1.9	2.0
Balances with the Bank of England	1,411.5	2,441.2	1,411.5	2,441.2
Cash in hand and Balances with the Bank of England	1,413.4	2,443.2	1,413.4	2,443.2
Loans and advances to credit institutions	115.2	152.3	6.1	15.2
Total cash and cash equivalents	1,528.6	2,595.5	1,419.5	2,458.4

The Group's loans and advances to credit institutions includes €109.1 million (2024: €137.1 million) of balances belonging to the Society's securitisation programmes which are not available for use by the Society.

13. Investment securities

All of the investment securities held by the Group are listed and at 31 December 2025 are of investment grade. The tables below show the changes in fair value during the year. No impairment loss provision is held against these assets since calculated ECL is immaterial (2024: no provision).

	Group 2025 €M	Group 2024 €M	Society 2025 €M	Society 2024 €M
At 1 January	3,950.0	2,515.6	3,950.0	2,515.6
Additions	3,917.4	5,124.3	3,917.4	5,124.3
Disposals (sale and redemption)	(3,984.9)	(3,689.3)	(3,984.9)	(3,689.3)
Movement in fair value	39.4	(0.6)	39.4	(0.6)
At 31 December	3,921.9	3,950.0	3,921.9	3,950.0

At 31 December 2025, no investment securities were pledged as collateral under sale and repurchase agreements (2024: none).

14. Loans and advances to customers

Group & Society 2025	Gross exposure €M	Impairment loss provision €M	Total €M
Loans fully secured on residential property	25,864.3	(43.7)	25,820.6
Loans fully secured on land	3.1	(0.1)	3.0
Other loans	138.9	–	138.9
Total loans and advances to customers	26,006.3	(43.8)	25,962.5

14. Loans and advances to customers (continued)

Group & Society 2024	Gross exposure €M	Impairment loss provision €M	Total €M
Loans fully secured on residential property	24,448.1	(45.4)	24,402.7
Loans fully secured on land	3.3	(0.5)	2.8
Other loans	145.0	–	145.0
Total loans and advances to customers	24,596.4	(45.9)	24,550.5

The Group has previously acquired a pool of equity release mortgages from a third party. The Group assumed a number of, but not all, risks arising from these loans. The remaining risks were retained by the third party, which also retained a proportion of the income from the underlying equity release mortgages. As a consequence, these mortgages have been recognised as a collateral loan to the third party within other loans in the table above. This loan is measured at fair value through profit or loss.

The net fair value movement on loans and advances to customers at fair value through profit or loss was a loss of €3.9 million (2024: €7.6 million loss) for both the Group and Society. The interest rate risk associated to the equity release mortgages is partially hedged with the use of an interest rate swap and as a result the fair value loss recognised on the mortgages was offset by a net fair value gain on the swap of €4.0 million (2024: €11.1 million gain).

Loans and advances to customers, for both the Group and Society, include €3,702.2 million (2024: €3,900.9 million) of loans which have been ringfenced from the Society for its associated secured funding vehicles.

The Group's asset encumbrance as at 31 December 2025 relating to mortgages used to collateralise the covered bond and securitisation programmes is detailed on page 74.

2025	LBS Covered Bonds LLP €M	Albion No. 5 PLC €M	Albion No. 6 PLC €M	Albion No. 7 PLC €M	Total €M
Loans and advances transferred from the Society to secured funding vehicles	2,850.3	245.9	254.2	351.8	3,702.2
Outstanding loan notes issued by the Group	2,000.0	227.1	239.6	334.3	2,801.0
2024	LBS Covered Bonds LLP €M	Albion No. 5 PLC €M	Albion No. 6 PLC €M	Albion No. 7 PLC €M	Total €M
Loans and advances transferred from the Society to secured funding vehicles	3,241.6	307.3	352.0	–	3,900.9
Outstanding loan notes issued by the Group	2,100.0	291.4	337.7	–	2,729.1

The covered bonds and residential mortgage backed securities issued have been used to secure long term funding from other financial institutions. The loans are retained in the Society's Statement of Financial Position, with judgement required in assessing whether risks or rewards of ownership of the mortgage portfolio have been transferred by the Society to another Group entity. It was determined to be inappropriate for the mortgage portfolio to be derecognised by the Society as it has retained significant risks and rewards of ownership of these financial assets.

15. Other assets, prepayments and accrued income

	Group 2025 €M	Group 2024 €M	Society 2025 €M	Society 2024 €M
Collateral	231.8	221.4	231.8	221.4
Prepayments	15.6	10.5	15.6	10.5
Other assets	5.9	6.2	137.7	212.6
Total other assets, prepayments and accrued income	253.3	238.1	385.1	444.5

In the above table, collateral represents amounts owed by credit institutions on cash collateralisation of derivatives. The Society balance for other assets includes amounts owed by subsidiary undertakings, including collateral in relation to intragroup derivatives.

Year ended 31 December 2025

16. Investments in subsidiary undertakings

The Society holds the following interests in subsidiary undertakings at 31 December 2025, all of which are incorporated in the UK and registered in England. At 31 December 2025, the carrying value of shares in subsidiaries was £1,040 (2024: £1,040).

Name	Major Activities	Class of Shares held	Interest of Society	Address
Leeds Mortgage Funding Limited	Non trading	Ordinary £1 shares	100%	26 Sovereign Street, Leeds, LS1 4BJ
Leeds Building Society Covered Bonds LLP	Provision of mortgage assets and guarantor of covered bonds	*	*	26 Sovereign Street, Leeds, LS1 4BJ
Leeds Covered Bonds Designated Member (No. 1) Limited	First designated member of Leeds Building Society Covered Bonds LLP	*	*	10th Floor 5 Churchill Place, London, E14 5HU
Leeds Covered Bonds Designated Member (No. 2) Limited	Second designated member of Leeds Building Society Covered Bonds LLP	*	*	10th Floor 5 Churchill Place, London, E14 5HU
Leeds Covered Bonds Holdings Limited	Holding company to both Leeds Covered Bonds Designated Member (No. 1) and (No. 2) Limited	*	*	10th Floor 5 Churchill Place, London, E14 5HU
Albion No.5 PLC	Provision of residential mortgage backed securities	*	*	Level 6 Duo, 280 Bishopsgate, London, EC2M 4RB
Albion No.5 Holdings Limited	Holding company to Albion No. 5 PLC	*	*	Level 6 Duo, 280 Bishopsgate, London, EC2M 4RB
Albion No.6 PLC	Provision of residential mortgage backed securities	*	*	Level 6 Duo, 280 Bishopsgate, London, EC2M 4RB
Albion No.6 Holdings Limited	Holding company to Albion No. 6 PLC	*	*	Level 6 Duo, 280 Bishopsgate, London, EC2M 4RB
Albion No.7 PLC	Provision of residential mortgage backed securities	*	*	10th Floor 5 Churchill Place, London, E14 5HU
Albion No.7 Holdings Limited	Holding company to Albion No. 7 PLC	*	*	10th Floor 5 Churchill Place, London, E14 5HU

*The Society's interest is equivalent to being a 100% owned subsidiary as these entities pass the test of control under IFRS 10 *Consolidated Financial Statements*. Consequently, they have been consolidated in the Group accounts. Although the Society does not legally own these entities, it is deemed to control them, as it has power over the activities undertaken by the subsidiaries through the management and operational structures in place, and it has exposure to variable returns through the purchase of loan notes, deferred consideration and intragroup loans.

In June 2025, the Group issued £350 million of RMBS Class A notes through a newly incorporated securitisation vehicle named Albion No.7 PLC. The first statutory accounts will be submitted for the period ended 31 December 2025.

17. Intangible assets

Group & Society 2025	Core systems €M	System enhancements €M	Total €M
Cost			
At 1 January	16.1	42.9	59.0
Additions	12.3	4.6	16.9
Disposals	–	(0.2)	(0.2)
At 31 December	28.4	47.3	75.7
Amortisation and impairment			
At 1 January	6.9	17.0	23.9
Amortisation charged in the year	1.6	6.3	7.9
Disposals	–	(0.2)	(0.2)
Impairment charged in the year	–	0.2	0.2
At 31 December	8.5	23.3	31.8
Net book value			
At 31 December	19.9	24.0	43.9
Group & Society 2024	Core systems €M	System enhancements €M	Total €M
Cost			
At 1 January	16.1	30.7	46.8
Additions	–	12.4	12.4
Disposals	–	(0.2)	(0.2)
At 31 December	16.1	42.9	59.0
Amortisation and impairment			
At 1 January	5.3	11.7	17.0
Amortisation charged in the year	1.6	4.6	6.2
Disposals	–	(0.1)	(0.1)
Impairment charged in the year	–	0.8	0.8
At 31 December	6.9	17.0	23.9
Net book value			
At 31 December	9.2	25.9	35.1

During 2025, the Group continued its programme of works that met the definition of an intangible asset. This included software licences, IT development service costs and certain colleague costs. Amortisation of such assets is charged to the Income Statement on a straight line basis over the useful life of the asset once it is brought into use. The useful life of such assets is determined to be ten years for core systems and five years for system enhancements as stated in Note 1(h), with useful lives reviewed on an asset by asset basis each year.

Our new core banking platform is currently in development and as at 31 December 2025, €12.3 million has been capitalised. The next most significant intangible assets are the Mortgage Hub mortgage application system, with a net book value of €7.6 million and a useful remaining life of four years (2024: €9.2 million), and the system which is used to deliver our online digital experience with a net book value of €5.9 million (2024: €5.6 million) with a useful remaining life of five years.

Intangible assets are reviewed annually for indications of impairment. This review includes an assessment of whether it is probable that future economic benefits will be realised from the asset, and whether the value in use of the asset is in excess of the carrying value. In 2025, €0.2 million (2024: €0.8 million) of impairment was recognised in the income statement.

Year ended 31 December 2025

18. Property, plant and equipment

	Freehold premises £M	Long leasehold premises £M	Short leasehold premises £M	Office and computer equipment £M	Right-of-use assets £M	Total £M
Group & Society 2025						
Cost or valuation						
At 1 January	52.1	0.2	0.9	44.5	11.3	109.0
Additions	0.3	–	–	3.1	1.5	4.9
Disposals	(0.1)	–	–	(19.6)	–	(19.7)
Revaluation movement	0.5	–	–	–	–	0.5
At 31 December	52.8	0.2	0.9	28.0	12.8	94.7
Depreciation and impairment						
At 1 January	21.1	–	0.9	35.2	6.4	63.6
Disposals	–	–	–	(19.6)	–	(19.6)
Depreciation charged in the year	–	–	–	2.7	1.1	3.8
Reversal of previous impairment losses	(0.2)	–	–	–	–	(0.2)
At 31 December	20.9	–	0.9	18.3	7.5	47.6
Net book value						
At 31 December	31.9	0.2	–	9.7	5.3	47.1
Group & Society 2024						
Cost or valuation						
At 1 January	51.8	0.2	0.9	46.7	12.6	112.2
Additions	0.3	–	–	2.7	0.6	3.6
Disposals	–	–	–	(4.9)	(1.9)	(6.8)
At 31 December	52.1	0.2	0.9	44.5	11.3	109.0
Depreciation and impairment						
At 1 January	4.8	–	0.9	36.5	5.5	47.7
Disposals	–	–	–	(4.9)	(0.3)	(5.2)
Depreciation charged in the year	–	–	–	3.2	1.2	4.4
Impairment charge in the year	16.3	–	–	0.4	–	16.7
At 31 December	21.1	–	0.9	35.2	6.4	63.6
Net book value						
At 31 December	31.0	0.2	–	9.3	4.9	45.4

The Group's accounting policy is for all freehold and long leasehold premises to be revalued at least every three years, with the last full valuation undertaken as at 31 December 2025. In the periods between formal valuations, an assessment is made to ascertain whether there are indications of material changes in property values. Details of the judgements involved in this assessment can be found in Note 2a(iv).

Where portions of freehold premises are leased out, these properties do not meet the definition of investment property under IAS 40 Investment Property as the leased out portions could not be sold separately and the Group retains the use of a significant portion of the property.

18. Property, plant and equipment (continued)

The amount of freehold and long leasehold premises (included above at valuation) determined according to the historical cost convention is as follows:

	Group & Society 2025 £M	Group & Society 2024 £M
Freehold premises	33.6	32.9
Long leasehold premises	0.2	0.2
At 31 December	33.8	33.1

The average remaining lease term of right-of-use assets is 3.9 years (2024: 5.0 years). The Group leases properties to use as Society branches in order to serve members.

19. Shares

	Group & Society 2025 £M	Group & Society 2024 £M
Held by individuals	26,066.5	24,526.2
Other shares	3.4	3.6
Total shares	26,069.9	24,529.8

20. Amounts owed to other customers

	Group 2025 £M	Group 2024 £M	Society 2025 £M	Society 2024 £M
Amounts owed to subsidiary undertakings	–	–	806.0	631.8
Other deposits	138.8	159.3	138.9	159.3
Total amounts owed to other customers	138.8	159.3	944.9	791.1

Year ended 31 December 2025

21. Debt securities in issue

	Group 2025 €M	Group 2024 €M	Society 2025 €M	Society 2024 €M
Certificates of deposit	85.0	60.3	85.0	60.3
Senior unsecured debt	334.4	319.3	334.4	319.3
Covered bonds	2,009.8	2,116.0	2,009.8	2,116.0
Residential mortgage backed securities	808.4	636.1	–	–
Total debt securities in issue	3,237.6	3,131.7	2,429.2	2,495.6

The underlying security for the covered bonds and residential mortgage backed securities (RMBS) is certain loans and advances to customers (see Note 14 for further detail).

In June 2025, the Group issued €350 million of RMBS Class A notes from Albion No 7 PLC, which are denominated in sterling and have a floating interest rate.

22. Other liabilities and accruals

	Group 2025 €M	Group 2024 €M	Society 2025 €M	Society 2024 €M
Accruals	21.7	18.4	21.7	18.4
Lease liabilities				
Current	1.2	1.2	1.2	1.2
Non-current	4.5	4.3	4.5	4.3
Other payables	50.5	323.4	71.4	392.1
Total other liabilities and accruals	77.9	347.3	98.8	416.0

Other payables within Group and Society includes €43.4 million (2024: €316.7 million) owed to credit institutions on cash collateralisation of derivatives. The Society balance for other payables includes amounts owed to subsidiary undertakings, including collateral in relation to intragroup derivatives.

The maturity of lease liabilities is shown below.

	Group & Society 2025 €M	Group & Society 2024 €M
Maturity analysis – contractual undiscounted cash flows		
Less than one year	1.3	1.3
One to five years	4.4	3.1
More than five years	1.3	0.9
Total undiscounted cash flows at 31 December	7.0	5.3

At 31 December 2025, the Group and Society had less than €0.1 million of commitments under short term leases (2024: less than €0.1 million). Total lease commitments for low value assets were €0.1 million (2024: €0.1 million).

22. Other liabilities and accruals (continued)

Amounts recognised in Income Statement in respect of leases

	Group & Society 2025 £M	Group & Society 2024 £M
Interest payable on lease liabilities	0.2	0.2
Depreciation of right-of-use assets	1.1	1.2
Expenses relating to short term leases	0.1	0.1
Expenses relating to leases of low value assets, excluding short term leases of low value assets	0.1	0.1
Total recognised in Income Statement in the year	1.5	1.6

Amounts recognised in the Statement of Cash Flows in respect of leases

	Group & Society 2025 £M	Group & Society 2024 £M
Total cash outflow for leases	2.1	2.1

23. Provisions for liabilities and charges

	Voluntary financial support £M	Other provisions £M	Total £M
Group & Society 2025			
At 1 January 2025	3.6	0.6	4.2
Provision charge in the year	–	0.1	0.1
Amounts released during the year	(1.2)	(0.4)	(1.6)
Amounts paid during the year	(1.9)	(0.2)	(2.1)
At 31 December 2025	0.5	0.1	0.6
Group & Society 2024			
At 1 January 2024	–	1.3	1.3
Provision charge in the year	10.3	0.3	10.6
Amounts released during the year	–	(0.3)	(0.3)
Amounts paid during the year	(6.7)	(0.7)	(7.4)
At 31 December 2024	3.6	0.6	4.2

The amount reported for provisions for liabilities and charges at 31 December 2025 includes a provision of £0.5 million in respect of the voluntary financial support we have agreed to offer members impacted by the actions of Philips Trust Corporation. This provision will be utilised during 2026 as we process all remaining compensation payments and settle associated legal costs.

Year ended 31 December 2025

24. Subordinated liabilities

Subordinated liabilities comprise £438.1 million (2024: £334.2 million) of senior non-preferred fixed rate reset notes which were issued under the Group's £2 billion Euro Medium Term Note Programme.

In January 2025, following a tender process, the Group repurchased £223.2 million of the £350.0 million of notes issued in 2021. At the same time the Group issued £300.0 million of new notes which mature on 30 January 2031.

The below table sets out the details of the debt issued under the programme:

Outstanding notional (£M)	Issued	Rate and maturity
126.8	16 March 2021	Pay semi annual at 1.5% until 16 March 2026, followed by a further year at the benchmark gilt rate plus 1.3% until maturity on 16 March 2027
300.0	30 January 2025	Pay semi annual at 5.5% until 30 January 2030, followed by a further year at the benchmark gilt rate plus 1.3% until maturity on 30 January 2031

The total amount reported in the Statements of Financial Position represents the nominal value of £426.8 million (2024: £350.0 million) plus accrued interest and a fair value adjustment for hedged risk.

The notes rank behind the claims of all other creditors and members of the Society, other than holders of tier 2 capital.

25. Subscribed capital

	Group & Society 2025 £M	Group & Society 2024 £M
3 ¾% tier 2 capital	8.0	8.0
Total	8.0	8.0

The Society continues to meet its current and forecasted Minimum Requirement for Own Funds and Eligible Liabilities (MREL). This requirement ensures that institutions have a minimum amount of liabilities that can bear losses before and in resolution, allowing the resolution authority to use these financial resources to absorb losses and recapitalise the continuing business.

26. Retirement benefit obligation**(a) Overview of the Society's pension arrangements**

The Group operates both defined benefit and defined contribution schemes. In addition, the Group has an employer funded retirement benefits scheme for one individual (2024: one individual). The schemes have been accounted for under IAS 19 Employee Benefits.

The defined benefit scheme ('the scheme') provides benefits based on final salary for certain employees. The assets of the scheme are held in a separate trustee-administered fund. Contributions to the defined benefit section are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The defined benefit section was closed to new entrants from 1 January 2000 and closed to future benefit accrual from 31 December 2014. As at 31 December 2025 there were 244 deferred defined benefit members (2024: 244). The 2024 and 2025 membership numbers are approximate based on the position as at 31 December 2023, this being the date of the last triennial valuation. The scheme surplus is capped at the maximum economic benefit the Group can access when the fair value of the scheme assets exceeds the present value of the defined benefit obligation. The Society's unfunded liability is £0.5 million (2024: £0.5 million) and is detailed below.

The scheme operates under UK trust law and the trust is a separate legal entity from the Society. The scheme is governed by a trustee company: Leeds Building Society Staff Pension Scheme Limited. Directors of the trustee company are required by law to act in the best interests of scheme members and are responsible for setting certain policies, such as investment and funding, together with the Society. Trustees are appointed in line with UK law and the scheme's Trust Deed and Rules.

The scheme's adopted and agreed funding target is 100% of its technical provisions. The trustees will continue to make annual checks on the funding position of the scheme, to confirm whether the scheme remains in line to meet any funding targets agreed.

The average duration of the benefit obligation is estimated to be 12 years (2024: 13 years).

26. Retirement benefit obligation (continued)

(a) Overview of the Society's pension arrangements (continued)

The scheme is funded by the Society. Funding of the scheme is based on a separate actuarial valuation for funding purposes, for which the assumptions may differ from the assumptions below. The last actuarial valuation of the scheme was undertaken at 31 December 2023. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the trustees and the Society.

The defined benefit obligation at 31 December 2025 can be approximately attributed to the scheme members as follows:

- Deferred members: 42% (2024: 42%)
- Pensioner members: 58% (2024: 58%)

(b) Actuarial risks

The defined benefit scheme exposes the Group to actuarial risks, as detailed below:

Risk	Impact
Interest rate risk	A decrease in corporate bond yields results in an increase in the present value of the scheme liabilities because the discount rate is linked to corporate bond yields
Inflation risk	An increase in inflation results in higher benefit increases for scheme members, increasing the scheme liabilities
Longevity risk	An increase in life expectancies results in a longer benefit payment period which in turn increases the scheme liabilities
Investment market risk	The value of the scheme's assets is impacted by the market prices of those assets

Actuarial gains and losses are recognised immediately in full through the Statements of Comprehensive Income.

(c) Valuation assumptions

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2025	2024
Discount rate	5.45%	5.40%
Price inflation		
RPI	2.85%	3.15%
CPI	2.35%	2.65%
Future pension increases		
RPI max 5%	2.75%	2.95%
RPI min 3% max 5%	3.60%	3.70%
Life expectancy		
Male at age 63	23.1 years	22.8 years
Female at age 63	25.6 years	25.4 years
Male at age 63 (currently aged 43)	24.1 years	23.8 years
Female at age 63 (currently aged 43)	26.7 years	26.6 years

The table above includes the life expectancy assumptions used in the accounting assessments. Pensioner life expectancies are for a member currently aged 63 retiring now. Non pensioner life expectancies are for a member retiring at age 63 currently aged 43.

Year ended 31 December 2025

26. Retirement benefit obligation (continued)

(d) Reconciliation

	Group & Society 2025 €M	Group & Society 2024 €M
Present value of funded obligations	(59.3)	(61.0)
Present value of unfunded obligations	(0.5)	(0.5)
Fair value of scheme assets	66.9	65.2
Effect of the asset ceiling	(7.6)	(4.2)
Retirement benefit obligation	(0.5)	(0.5)

Changes in the present value of the scheme's liabilities are as follows:

	Group & Society 2025 €M	Group & Society 2024 €M
At 1 January	61.5	70.8
Interest cost	3.2	3.1
Benefits paid	(4.2)	(4.2)
Actuarial losses/(gains) arising from changes in demographic assumptions	0.5	(0.7)
Actuarial (gains) arising from changes in financial assumptions	(1.7)	(6.0)
Actuarial losses/(gains) on experience adjustment	0.5	(1.5)
At 31 December	59.8	61.5

Changes in the fair value of the scheme's assets are as follows:

	Group & Society 2025 €M	Group & Society 2024 €M
At 1 January	65.2	73.7
Interest income	3.5	3.3
Contribution by employer	3.8	0.4
Benefits paid	(4.2)	(4.2)
Administrative expenses	(0.4)	(0.5)
Return on scheme assets excluding interest income	(1.0)	(7.5)
At 31 December	66.9	65.2

Changes in impact of asset ceiling:

	Group & Society 2025 €M	Group & Society 2024 €M
Restriction due to asset ceiling at beginning of period	(4.2)	–
Interest on the asset ceiling	(0.3)	–
Change in the asset ceiling excluding interest	(3.1)	(4.2)
Restriction due to asset ceiling at end of period	(7.6)	(4.2)

26. Retirement benefit obligation (continued)

(e) Scheme assets

The major categories of scheme assets are as follows:

	Group & Society 2025 £M	Group & Society 2024 £M
Cash and cash equivalents	23.4	2.8
Corporate bonds	15.5	29.9
Index linked government bonds	11.8	12.8
Asset backed securities	10.1	18.3
Fixed interest government bonds	6.1	1.4
Total assets	66.9	65.2

All assets have quoted market prices in active markets. The pension scheme assets include no assets from the Society's own financial issuances (unchanged from 2024). The pension scheme assets include no property occupied by, or other assets used by, the Society (unchanged from 2024).

(f) Amounts recognised in the Income Statements

	Group & Society 2025 £M	Group & Society 2024 £M
Administration expenses	0.4	0.5
Net interest on the defined benefit asset	-	(0.2)
Total cost – defined benefit scheme	0.4	0.3

(g) Amounts recognised in the Statements of Comprehensive Income

	Group & Society 2025 £M	Group & Society 2024 £M
Actuarial (losses)/gains on experience adjustment	(0.5)	1.5
Actuarial (losses)/gains arising from changes in demographic assumptions	(0.5)	0.7
Actuarial gains arising from changes in financial assumptions	1.7	6.0
Change in the asset ceiling excluding interest	(3.1)	(4.2)
Return on scheme assets excluding interest income	(1.0)	(7.5)
Total loss recognised in SOCI during the year	(3.4)	(3.5)

The cumulative amount of actuarial gains and losses recognised in other comprehensive income since the date of transition to IFRS is a net loss of £29.5 million (2024: £26.1 million loss).

Year ended 31 December 2025

26. Retirement benefit obligation (continued)

(h) Sensitivity to changes in key assumptions

The table below gives a broad indication of the impact on the pension obligation of changes in assumptions and experience. All figures are before allowing for deferred tax. Although the analysis does not take account of the full distribution of cash flows expected, it does provide an approximation of the sensitivity of the assumptions shown.

Approximate (increase)/decrease to defined benefit obligation	Group & Society 2025 €M
Increase discount rate by 1.0%	6.3
Increase inflation assumption by 0.5%	(2.4)
Change long term trend of increases in mortality improvement to 1.25%	(0.3)

(i) Estimated contributions for 2026 financial year

The estimated employer contributions for the 2026 financial year are €0.4 million. Annual agreed contributions will remain at this level until they are reviewed following the next actuarial valuation to be undertaken based on the position at 31 December 2025.

(j) Other considerations

In 2023, the UK High Court issued a ruling in the case of Virgin Media Limited versus NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. This case had potential implications for other defined benefit schemes in the UK. In response to the ruling, the Leeds Building Society pension scheme trustees undertook a review of historical pension amendments to determine if there was any potential impact on the Group defined benefit scheme valuation and no material issues were identified.

In June 2025, the Department for Work and Pensions confirmed that the government will introduce legislation to give affected pension schemes the ability to, retrospectively, obtain written actuarial confirmation that confirmations around historic benefit changes met the necessary standards. Further update on the approach and process for this retrospective confirmation is expected to follow in due course but based on the results of the trustees' review of amendments, it's unlikely that any further action will be required.

27. Deferred tax

	Group 2025 €M	Group 2024 €M	Society 2025 €M	Society 2024 €M
Deferred tax				
At 1 January	(25.6)	(35.4)	(21.1)	(32.3)
Credit in other comprehensive income for the period	8.7	8.8	8.7	8.8
Credit/(charge) to income statement for the period	2.0	1.0	(0.1)	2.4
At 31 December	(14.9)	(25.6)	(12.5)	(21.1)
	Group 2025 €M	Group 2024 €M	Society 2025 €M	Society 2024 €M
Deferred tax liabilities				
IFRS 9 transitional adjustment	1.5	2.2	1.5	2.2
Cash flow hedge reserve	(15.1)	(25.9)	(15.1)	(25.9)
Revaluation reserve	(0.8)	(0.7)	(0.8)	(0.7)
Pensions	0.8	0.1	0.8	0.1
Fair value reserve	0.7	(0.9)	0.7	3.6
Fixed assets	(1.0)	(0.9)	(1.0)	(0.9)
Trading items	(1.0)	0.5	1.4	0.5
Total deferred tax	(14.9)	(25.6)	(12.5)	(21.1)

The Society has an unrecognised outside basis taxable temporary difference of €1.9 million (2024: €1.9 million) in relation to Leeds Building Society Covered Bonds LLP's cumulative undistributed losses for which the Society has already claimed a corporation tax deduction.

28. Cash flows from financing activities

For the purposes of the Statements of Cash Flows, the following items are classified as liabilities arising from financing activities: debt securities in issue, subordinated liabilities and subscribed capital:

	Group 2025 €M	Group 2024 €M	Society 2025 €M	Society 2024 €M
At 1 January	3,473.9	3,065.4	2,837.8	2,718.0
Cash flows:				
Net proceeds from issue of debt securities	874.3	910.1	524.4	560.2
Repayments of debt securities in issue	(777.3)	(503.8)	(599.3)	(433.4)
Accrued interest movements*	(5.8)	6.1	(6.2)	4.7
Movement in fair value adjustment for hedged risk*	14.7	10.8	14.7	3.0
Debt securities in issue	105.9	423.2	(66.4)	134.5
Net proceeds from issue of subordinated liabilities	299.2	–	299.2	–
Repayments of subordinated liabilities	(217.0)	–	(217.0)	–
Accrued interest movements*	6.0	0.5	6.0	0.5
Movement in fair value adjustment for hedged risk*	20.9	9.8	20.9	9.8
Amortisation of discount on issue	(5.2)	–	(5.2)	–
Subordinated liabilities	103.9	10.3	103.9	10.3
Repayments of subscribed capital	–	(48.4)	–	(48.4)
Loss on repurchase of subscribed capital	–	23.4	–	23.4
Subscribed capital	–	(25.0)	–	(25.0)
At 31 December	3,683.7	3,473.9	2,875.3	2,837.8

*The 2024 Group and Society comparatives has been represented to split accrued interest movements and movement in fair value adjustment for hedged risk between debt securities in issue and subordinated liabilities.

29. Guarantees and other financial commitments

(a) Subsidiary undertakings

The Society is obliged under the Building Societies Act 1986 to discharge the liabilities of its subsidiary undertakings to the extent they were incurred before 11 June 1996 and insofar as those bodies are unable to discharge their liabilities out of their own assets.

(b) Capital commitments

The Group has no capital commitments contracted for but not accrued for under executory contracts in the year (2024: no commitments). As at 31 December 2025, there are no long term multi-year contractual capital commitments for technology investment programmes (intangible assets and property, plant and equipment) (2024: no commitments).

(c) Other commitments

The Group is committed to multi-year service contracts for the provision and maintenance of its IT infrastructure. The remaining commitment at 31 December 2025 is €41.8 million (2024: €37.0 million). These service contracts are not capital commitments and do not meet the definition of a lease under IFRS 16 since they do not give the Group the right to control the assets used to provide the service. They will be expensed in the Income Statement as they are incurred.

Year ended 31 December 2025

30. Related party transactions**Key management personnel compensation**

As defined by IAS 24 'Related Party Disclosures', members of the Group Executive Committee and the non-executive directors of Leeds Building Society are considered to be the Group's key management personnel.

Key management personnel comprise the executive directors and non-executive directors, who are responsible for ensuring that the Society and its subsidiary undertakings meet their strategic and operational objectives. The Group enters into transactions in the ordinary course of business with directors of the Group and persons connected with the directors of the Group, on normal commercial terms.

Total compensation for key management personnel for the period was as follows:

Key management personnel compensation	Group & Society	
	2025 £M	2024 £M
Short term remuneration	3.4	3.0
Long term remuneration	0.2	0.1
Employer pension contributions	0.3	0.2
Total	3.9	3.3

Other long term benefits include amounts relating to long term bonus schemes, some of which will be paid in future periods. Further information on these can be found in the Directors' Remuneration Report.

No directors are active members of the defined benefit section of the Leeds Building Society Pension Scheme (2024: none). Two directors were active members of the defined contribution section of the Leeds Building Society Pension Scheme during 2025 (2024: two).

Outstanding balances of related party transactions, with key management personnel, at the year end are as follows:

	Group & Society	
	2025 £M	2024 £M
Mortgage loans	–	–
Savings balances	0.8	0.9

All loans and deposits with key management personnel were made in line with normal operational activity, at substantially the same terms, including interest rates and security, as generally available to other members for comparable transactions. These transactions did not involve more than normal risk of repayment or present other unfavourable features.

A register is maintained by the Society containing details of loans and arrangements made between the Society or its subsidiary undertakings and directors of the Society or persons connected with directors of the Society. The register will be available for inspection by members at the Annual General Meeting on 23 April 2026 and during normal office hours at the Society's Head Office (26 Sovereign St, Leeds, LS1 4BJ) during the period of 15 days prior to the meeting.

30. Related party transactions (continued)

Related party transactions

Details of the Society's shares in group undertakings and subsidiaries are given in Note 16. A number of transactions are entered into with these related parties, these include loans, deposits and the payment and recharge of administrative expenses.

The outstanding balances for these related party transactions at the period end, and the associated income and expenses for the period, are as follows:

	LBS Covered Bonds LLP £M	Albion No. 5 PLC £M	Albion No. 6 PLC £M	Albion No. 7 PLC £M	Total £M
2025					
Loans payable by the Society	–	(240.2)	(247.4)	(347.0)	(834.6)
Loans receivable by the Society	106.9	–	–	–	106.9
Deposits payable by the Society	–	26.6	32.7	28.0	87.3
Net interest income	4.8	(12.3)	(13.9)	(9.2)	(30.6)
Other income and expenses	0.1	0.1	0.2	0.1	0.5
Collateral	28.7	–	–	–	28.7
	LBS Covered Bonds LLP £M	Albion No. 5 PLC £M	Albion No. 6 PLC £M	Albion No. 7 PLC £M	Total £M
2024					
Loans payable by the Society	–	(303.5)	(347.7)	–	(651.2)
Loans receivable by the Society	132.8	–	–	–	132.8
Deposits payable by the Society	–	28.0	31.3	–	59.3
Net interest income	(7.1)	(18.0)	(11.3)	–	(36.4)
Other income and expenses	0.1	0.2	0.1	–	0.4
Collateral	81.0	–	–	–	81.0

Transactions with Group companies arise in the normal course of operations.

As at 31 December 2025, the Society held intercompany derivative financial instruments of £(10.8) million (2024: £(19.2) million). These are interest rate swaps entered into with the securitisation vehicles. For more information see Note 31.

Year ended 31 December 2025

31. Derivative financial instruments and hedge accounting**(a) Derivative financial instruments**

Derivative financial instruments are contracts or arrangements whose value is derived from one or more underlying price, rate or index inherent in the contract or arrangement, such as interest rates or foreign exchange rates. These types of instruments tend to have a smaller or no initial net investment relative to financial assets or liabilities offering the same risk and return, as cash flows are generally settled at a future date.

Derivatives are only used by the Group in accordance with Section 9A of the Building Societies Act 1986, to reduce the risk of loss arising from changes in interest rates or other factors of a prescribed description which affect the business. Accordingly, such instruments are not used in trading activity or for speculative purposes. The Group utilises its derivative instruments for hedging purposes only.

The main derivatives used by the Group are interest rate swaps and cross currency swaps. The following table describes the significant activities undertaken by the Group, the related risks associated with such activities and the types of derivatives which are typically used in managing such risks. These risks may alternatively be managed using natural hedges that exist in the Group Statement of Financial Position.

Activity	Risk	Type of derivative	Hedge accounting
Fixed rate mortgage lending	Sensitivity to changes in interest rates	Pay fixed interest rate swaps	Fair value hedge Cash flow hedge*
Fixed rate asset investments	Sensitivity to changes in interest rates	Pay fixed interest rate swaps	Fair value hedge
Fixed rate savings products	Sensitivity to changes in interest rates	Receive fixed interest rate swaps	Fair value hedge
Fixed rate wholesale funding	Sensitivity to changes in interest rates	Receive fixed interest rate swaps	Fair value hedge
Equity release mortgages	Sensitivity to changes in interest rates	Pay fixed interest rate swaps	–
Investment and funding in foreign currency	Sensitivity to changes in foreign exchange rates	Cross currency interest rate swaps and foreign exchange contracts	–

* In the Group's macro cash flow hedge, pay fixed interest rate swaps are matched with floating rate financial liabilities to economically hedge mortgage applications, prior to completion of the fixed rate mortgage.

The Group manages risk within its risk tolerance, regardless of the accounting treatment. Derivatives are entered into only when the underlying position being hedged contains the same risk features. The derivative used will match the risks of the underlying asset or liability and therefore hedge the associated market risk.

All derivatives entered into by the Group are used for hedging purposes, however not all are designated as such for accounting purposes. Some derivatives are held as economic hedges to which hedge accounting does not need to be applied. In these cases a natural offset may be achieved; these types of hedges are only entered into where a high degree of effectiveness can be achieved.

Cross currency interest rate swaps are used to reduce both the interest rate risk and exchange rate risk exposures that come from funding in foreign currency.

The table below shows the value of derivatives by type:

	Group 2025			Group 2024		
	Contract or underlying principal amount £M	Positive fair value £M	Negative fair value £M	Contract or underlying principal amount £M	Positive fair value £M	Negative fair value £M
Interest rate swaps available to designate in accounting hedges	29,476.7	129.5	(116.8)	28,753.6	369.4	(90.3)
Derivatives not designated in accounting hedges:						
Equity release swaps	17.5	–	(1.6)	57.2	–	(7.7)
Interest rate swaps	–	–	–	–	–	–
Cross currency swaps	35.7	–	(1.5)	43.8	1.7	–
Total derivatives held for hedging purposes	29,529.9	129.5	(119.9)	28,854.6	371.1	(98.0)

31. Derivative financial instruments and hedge accounting (continued)

(a) Derivative financial instruments (continued)

	Society 2025			Society 2024		
	Contract or underlying principal amount £M	Positive fair value £M	Negative fair value £M	Contract or underlying principal amount £M	Positive fair value £M	Negative fair value £M
Interest rate swaps available to designate in accounting hedges	29,476.7	129.5	(116.8)	28,753.6	369.4	(90.3)
Derivatives not designated in accounting hedges:						
Equity release swaps	17.5	–	(1.6)	57.2	–	(7.7)
Interest rate swaps	860.4	–	(10.8)	658.1	–	(19.2)
Cross currency swaps	35.7	–	(1.5)	43.8	1.7	–
Total derivatives held for hedging purposes	30,390.3	129.5	(130.7)	29,512.7	371.1	(117.2)

The following tables analyse derivatives by contractual maturity:

	Group 2025		Group 2024	
	Notional principal amount £M	Replacement cost £M	Notional principal amount £M	Replacement cost £M
Less than 1 year	12,104.2	30.9	10,961.7	29.0
Between 1 and 5 years inclusive	16,606.5	87.7	16,877.9	311.9
More than 5 years	819.2	10.9	1,015.0	30.2
Total derivatives	29,529.9	129.5	28,854.6	371.1

	Society 2025		Society 2024	
	Notional principal amount £M	Replacement cost £M	Notional principal amount £M	Replacement cost £M
Less than 1 year	12,104.2	30.9	10,961.7	29.0
Between 1 and 5 years inclusive	17,466.9	87.7	17,536.0	311.9
More than 5 years	819.2	10.9	1,015.0	30.2
Total derivatives	30,390.3	129.5	29,512.7	371.1

(b) Hedge accounting

The Group holds a portfolio of fixed rate mortgages, savings and investments and is therefore exposed to changes in interest rate risk (see Risk Management Report, page 76). As shown in the table on page 204 the Group manages this risk by entering into interest rate swaps that either pay or receive a fixed rate.

By entering into these swaps the Group is hedging interest rate risk only. Other risks, such as credit risk, are managed but not hedged. These risks are managed by entering into swap contracts with high quality counterparties, requiring the posting of collateral and clearing swaps through central counterparties.

The exposure from interest rate risk fluctuates due to new products being added, products maturing and early repayments in the case of mortgage products. For this reason the Group utilises a dynamic hedge accounting strategy (also known as macro hedging) to manage the exposure created by entering into swap contracts this way.

Year ended 31 December 2025

31. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

The notional value of interest rate swaps designated into accounting hedge relationships is as follows, analysed by maturity date:

	Less than 3 months €M	3 to 12 months €M	1 to 5 years €M	More than 5 years €M
Group 2025				
Macro fair value hedges				
Loans and advances to customers				
Swap notional	617.7	3,215.3	11,617.6	95.7
Average fixed rate	2.7%	3.1%	3.3%	1.3%
Investment securities				
Swap notional	–	30.0	1,395.3	452.3
Average fixed rate	–	4.4%	3.9%	4.0%
Shares				
Swap notional	614.5	5,891.0	808.7	–
Average fixed rate	4.3%	3.9%	3.9%	–
Micro fair value hedges of wholesale funding denominated in Sterling				
Swap notional	–	–	650.0	–
Average fixed rate	–	–	3.3%	–
Macro cash flow hedges				
Swap notional	–	–	–	250.0
Average fixed rate	–	–	–	3.7%
Group 2024				
Macro fair value hedges				
Loans and advances to customers				
Swap notional	13.1	2,714.8	12,910.3	428.8
Average fixed rate	1.1%	3.9%	3.1%	3.1%
Investment securities				
Swap notional	–	–	–	–
Average fixed rate	–	–	–	–
Shares				
Swap notional	1,024.0	6,141.0	1,837.5	–
Average fixed rate	4.8%	4.7%	4.4%	–
Micro fair value hedges of wholesale funding denominated in Sterling				
Swap notional	–	–	700.0	–
Average fixed rate	–	–	1.4%	–
Macro cash flow hedges				
Swap notional	–	–	–	525.0
Average fixed rate	–	–	–	3.6%

31. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(i) Fair value hedge accounting

The Group uses macro fair value hedges to recognise the changes in fair value of the hedged items (mortgage and savings products) due to the changes in interest rates and therefore can mitigate the impact on profit and loss that would arise if only the changes in fair value from the interest rate swaps were recognised.

In addition to the macro fair value hedges used to manage the interest rate risk of mortgages and savings, the Group also uses one to one hedges, known as micro hedges, to manage the interest rate risk of fixed rate wholesale funding issuances. In this type of hedge, a single swap is matched directly against a fixed rate bond and remains matched until maturity or a de-designation event (such as becoming ineffective). The changes in fair value are recognised in the same way as the macro hedge, with the change in the fair value of the bond and swap being offset to reduce volatility in the Income Statement.

The tables below provide analysis of the impacts of fair value hedge accounting on the Statement of Financial Position and the Income Statement:

	Interest rate swaps			Hedged items				
	Notional amount €M	Carrying amount (Note 1)		Carrying amount		Accumulated fair value adjustments		SOFP line item
		Assets €M	Liabilities €M	Assets €M	Liabilities €M	Assets €M	Liabilities €M	
Group 2025								
Loans and advances to customers	15,546.3	98.7	(78.1)	15,529.4	–	80.0	(80.6)	Note 2
Investment securities	1,877.6	0.9	(19.5)	1,905.3	–	19.4	(0.9)	Note 3
Shares	7,314.2	14.8	–	–	7,363.1	–	(12.9)	Note 4
Wholesale funding denominated in Sterling	650.0	4.8	(16.1)	–	650.0	16.1	(4.8)	Note 5

	Interest rate swaps			Hedged items				
	Notional amount €M	Carrying amount (Note 1)		Carrying amount		Accumulated fair value adjustments		SOFP line item
		Assets €M	Liabilities €M	Assets €M	Liabilities €M	Assets €M	Liabilities €M	
Group 2024								
Loans and advances to customers	16,067.0	319.6	(29.2)	16,751.3	–	28.9	(324.8)	Note 2
Investment securities	–	–	–	–	–	–	–	Note 3
Shares	9,002.5	14.2	(6.5)	–	8,876.1	6.4	(12.9)	Note 4
Wholesale funding denominated in Sterling	700.0	–	(46.9)	–	700.0	47.0	–	Note 5

Notes:

The Statement of Financial Position lines that include the items noted above are:

1. 'Derivative financial instruments'
2. 'Fair value adjustment for hedged risk on loans and advances to customers'
3. 'Investment securities'
4. 'Fair value adjustment for hedged risk on shares'
5. 'Debt securities in issue' and 'Subordinated liabilities'

Year ended 31 December 2025

31. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(i) Fair value hedge accounting (continued)

	Change in fair value of hedging instrument (Note 1) £M	Change in fair value of hedged item (Note 1) £M	Total hedge ineffectiveness (Note 2) £M	Accumulated amount of fair value adjustments remaining in the SOFP £M
Group 2025				
Loans and advances to customers	(269.9)	295.3	25.4	76.1
Investment securities	(18.5)	18.5	–	0.1
Shares	7.0	(6.4)	0.6	1.1
Wholesale funding denominated in Sterling	35.7	(35.7)	–	–
	Change in fair value of hedging instrument (Note 1) £M	Change in fair value of hedged item (Note 1) £M	Total hedge ineffectiveness (Note 2) £M	Accumulated amount of fair value adjustments remaining in the SOFP £M
Group 2024				
Loans and advances to customers	4.9	(15.3)	(10.4)	122.9
Investment securities	–	–	–	–
Shares	(25.0)	35.7	10.6	(2.4)
Wholesale funding denominated in Sterling	12.8	(12.8)	–	–

Notes

- The change in fair value during the period was used as the basis for calculating hedge ineffectiveness and was recognised in the 'Fair value gains/(losses) from financial instruments' line in the Income Statement.
- The amount of hedge ineffectiveness during the period was recognised in the 'Fair value gains/(losses) from financial instruments' line in the Income Statement.

Macro fair value hedge effectiveness is assessed by comparing the changes in the fair value of the hedging instruments with changes in the fair value of the hedged items attributable to the hedged risk, using the Dollar Offset method.

Possible sources of ineffectiveness are as follows:

- Differences in timing of cash flows between the derivative and the hedged item.
- Differences between the expected and actual volume of prepayments where a portfolio is being hedged, as the hedging ratio is calculated with regard to expected repayment dates, taking account of expected prepayments based on past experience.
- Hedging derivatives with a non-zero fair value at the date of initial designation as a hedging instrument.

(ii) Cash flow hedge accounting

The Group applies macro cash flow hedge accounting to a portion of its floating rate financial liabilities which are matched (for the purposes of hedge accounting only) with pay fixed, receive floating rate interest rate swaps which have been transacted to economically hedge mortgage applications, prior to completion of the mortgage. Any movements in fair value of the swaps arising due to movements in interest rates are recognised in other comprehensive income to the extent that the hedge relationship is effective. The Group aims to maintain a position where the principal amount of the hedged items (floating rate financial liabilities) is greater than or equal to the notional amount of the corresponding interest rate swaps used as the hedging instruments. The hedge accounting relationship is reassessed on a monthly basis with the composition of hedging instruments and hedged items changing frequently in line with the underlying risk exposures.

The table below provides further detail on the Group's cash flow hedge accounting relationships.

	Interest rate swaps			Hedged items		
	Notional amount £M	Carrying amount (Note 1)		Carrying amount		SOFP line item
		Assets £M	Liabilities £M	Assets £M	Liabilities £M	
Group 2025						
Floating rate liabilities	250.0	–	0.5	–	(250.0)	Note 2

31. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(ii) Cash flow hedge accounting (continued)

	Interest rate swaps			Hedged items		
	Notional amount £M	Carrying amount (Note 1)		Carrying amount		SOPF line item
		Assets £M	Liabilities £M	Assets £M	Liabilities £M	
Group 2024						
Floating rate liabilities	525.0	8.1	–	–	(525.0)	Note 2

Notes:

The Statement of Financial Position lines that include the items noted above are:

1. 'Derivative financial instruments'.
2. 'Debt securities in issue'.

Group 2025	Change in fair value of hedging instrument (Note 1) £M	Change in fair value of hedge item £M	Total hedge ineffectiveness (Note 2) £M	Accumulated amount of fair value adjustments remaining in OCI (Note 3) £M	Gains reclassified from OCI to Income Statement (Note 4) £M
Floating rate liabilities	(68.9)	68.9	–	53.8	(29.7)

Group 2024	Change in fair value of hedging instrument (Note 1) £M	Change in fair value of hedge item £M	Total hedge ineffectiveness (Note 2) £M	Accumulated amount of fair value adjustments remaining in OCI (Note 3) £M	Gains reclassified from OCI to Income Statement (Note 4) £M
Floating rate liabilities	28.8	(29.3)	0.5	92.5	29.4

Notes:

1. The change in fair value during the period was used as the basis for calculating hedge ineffectiveness and was recognised in the 'Cash flow hedge reserve' line in the Statement of Financial Position.
2. The amount of hedge ineffectiveness during the period was recognised in the 'Fair value gains/(losses) from financial instruments' line in the Income Statement.
3. The accumulated amount of fair value adjustments remaining in OCI are reported in the 'Cash flow hedge reserve' line in the Statement of Financial Position.
4. The gains that were reclassified from OCI to the Income Statement during the period were recognised in the 'Fair value gains/(losses) from financial instruments' line in the Income Statement.

Macro cash flow hedge effectiveness is assessed by comparing the changes in the fair value of the hedging instruments with changes in the fair value of the hedged items attributable to the hedged risk, using the hypothetical derivative method.

Possible sources of ineffectiveness are as follows:

- Differences in timing of cash flows between the derivative and the hedged item.
- Differences between the expected and actual volume of prepayments where a portfolio is being hedged, as the hedging ratio is calculated with regard to expected repayment dates, taking account of expected prepayments based on past experience.
- Hedging derivatives with a non-zero fair value at the date of initial designation as a hedging instrument.

Year ended 31 December 2025

32. Fair values

(a) Carrying value and fair value of financial instruments not carried at fair value

The classification and measurement categories of the Group's financial assets and liabilities are detailed in Note 10.

The following tables summarise the carrying amounts and fair values of those financial assets and liabilities not carried at fair value in the Statement of Financial Position. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated for other financial instruments by discounting cash flows at prevailing interest rates.

	Notes	Fair value hierarchy level	Group 2025		Society 2025	
			Carrying value £M	Fair value £M	Carrying value £M	Fair value £M
Financial assets:						
Cash in hand and balances with the Bank of England		Level 1	1,413.4	1,413.4	1,413.4	1,413.4
Loans and advances to credit institutions	i)	Level 2	115.2	115.2	6.1	6.1
Investment securities	v)	Level 1	–	–	–	–
Loans and advances to customers						
Loans fully secured on residential property*	ii)	Level 3	25,896.1	26,362.3	25,896.1	26,362.3
Other loans	ii)	Level 2	3.0	3.0	3.0	3.0
Other assets, prepayments and accrued income	vi)	Level 1	231.8	231.8	231.8	231.8
Other assets, prepayments and accrued income	vi)	Level 2	–	–	114.9	114.9
Financial liabilities:						
Shares**	iii)	Level 2	26,081.6	26,052.6	26,081.6	26,052.6
Amounts owed to credit institutions	i)	Level 2	0.5	0.5	0.5	0.5
Amounts owed to other customers	i)	Level 2	138.8	138.8	944.9	944.9
Debt securities in issue***	iv)	Level 1	2,429.1	2,438.5	2,429.2	2,438.5
Debt securities in issue	iv)	Level 2	808.5	801.0	–	–
Other liabilities and accruals	vi)	Level 2	43.4	43.4	39.7	39.7
Subordinated liabilities***	v)	Level 1	438.1	440.2	438.1	440.2
Subscribed capital	v)	Level 1	8.0	8.1	8.0	8.1
Group 2024						
	Notes	Fair value hierarchy level	Carrying value £M	Fair value £M	Carrying value £M	Fair value £M
Financial assets:						
Cash in hand and balances with the Bank of England		Level 1	2,443.2	2,443.2	2,443.2	2,443.2
Loans and advances to credit institutions	i)	Level 2	152.3	152.3	15.2	15.2
Investment securities	v)	Level 1	10.5	10.5	10.5	10.5
Loans and advances to customers						
Loans fully secured on residential property*	ii)	Level 3	24,229.6	24,353.9	24,229.6	24,353.9
Other loans	ii)	Level 2	2.8	2.8	2.8	2.8
Other assets, prepayments and accrued income	vi)	Level 1	221.4	221.4	221.4	221.4
Other assets, prepayments and accrued income	vi)	Level 2	–	–	76.6	76.6
Financial liabilities:						
Shares**	iii)	Level 2	24,538.6	24,501.0	24,538.6	24,501.0
Amounts owed to credit institutions	i)	Level 2	1,244.2	1,244.2	1,244.2	1,244.2
Amounts owed to other customers	i)	Level 2	159.3	159.3	791.1	791.1
Debt securities in issue***	iv)	Level 1	2,495.6	2,506.1	2,495.6	2,506.1
Debt securities in issue	iv)	Level 2	636.1	628.7	–	–
Other liabilities and accruals	vi)	Level 2	316.7	316.7	310.7	310.7
Subordinated liabilities***	v)	Level 1	334.2	337.3	334.2	337.3
Subscribed capital	v)	Level 1	8.0	8.0	8.0	8.0

*Net of fair value adjustment for portfolio hedged risk on loans and advances to customers. The Group and Society 2024 comparatives have been re-presented to include the fair value adjustment for portfolio hedged risk on loans and advances to customers.

**Net of fair value adjustment for portfolio hedged risk on shares. The Group and Society 2024 comparatives have been re-presented to include the fair value adjustment for portfolio hedged risk on shares.

***The Group and Society 2024 comparatives have been re-presented to include the fair value adjustment for hedged risk on wholesale debt issuances.

32. Fair values (continued)

(a) Carrying value and fair value of financial instruments not carried at fair value (continued)

Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The following methods and assumptions have been applied in determining fair value:

- i. The carrying amount of loans and advances to credit institutions, amounts owed to other customers and amounts owed to credit institutions is assumed to equate to their fair value due to the short term nature of these commitments.
- ii. The fair value of loans and advances to customers is calculated on the discounted cash flow basis using projected future cashflows and expected prepayment behaviour of borrowers, which also includes an assessment of future credit loss where appropriate.
- iii. The fair value of fixed deposits is determined from the estimated cashflows discounted at the market rate for equivalent deposits. Variable rate deposits, which are available on demand, are assumed to be at market value and so equate to their fair value.
- iv. Debt securities in issue are valued by reference to their market value where an active market exists. Where no active market exists, a discounted cash flow approach is used.
- v. The fair value of investment securities, subordinated liabilities and subscribed capital is obtained from market prices.
- vi. The carrying amount of other assets and other liabilities are assumed to equate to their fair value as these are not market tradable. Level 1 financial instruments reported in this category relate to cash collateral on derivatives.

(b) Fair value measurement basis for financial instruments carried at fair value

The table below classifies all assets and liabilities carried at fair value in the Statement of Financial Position according to the method used to establish their fair value.

The fair value adjustments for hedged risks have been excluded from the below tables; the 2024 Group and Society comparatives have been represented to reflect this.

	Level 1 £M	Level 2 £M	Level 3 £M	Total £M
Group 2025				
Assets:				
Investment securities	3,921.9	–	–	3,921.9
Derivative financial instruments	–	129.5	–	129.5
Loans and advances to customers	–	–	138.9	138.9
Total assets	3,921.9	129.5	138.9	4,190.3
Liabilities:				
Derivative financial instruments	–	118.3	1.6	119.9
Total liabilities	–	118.3	1.6	119.9
Group 2024				
Assets:				
Investment securities	3,939.5	–	–	3,939.5
Derivative financial instruments	–	371.1	–	371.1
Loans and advances to customers	–	–	145.0	145.0
Total assets	3,939.5	371.1	145.0	4,455.6
Liabilities:				
Derivative financial instruments	–	92.1	5.9	98.0
Total liabilities	–	92.1	5.9	98.0

Year ended 31 December 2025

32. Fair values (continued)**(b) Fair value measurement basis for financial instruments carried at fair value (continued)**

Society 2025	Level 1 €M	Level 2 €M	Level 3 €M	Total €M
Assets:				
Investment securities	3,921.9	–	–	3,921.9
Derivative financial instruments	–	129.5	–	129.5
Loans and advances to customers	–	–	138.9	138.9
Total assets	3,921.9	129.5	138.9	4,190.3
Liabilities:				
Derivative financial instruments	–	118.3	12.4	130.7
Total liabilities	–	118.3	12.4	130.7
<hr/>				
Society 2024	Level 1 €M	Level 2 €M	Level 3 €M	Total €M
Assets:				
Investment securities	3,939.5	–	–	3,939.5
Derivative financial instruments	–	371.1	–	371.1
Loans and advances to customers	–	–	145.0	145.0
Total assets	3,939.5	371.1	145.0	4,455.6
Liabilities:				
Derivative financial instruments	–	92.1	25.1	117.2
Total liabilities	–	92.1	25.1	117.2

Level 1: Relates to financial instruments where fair values are taken from quoted prices in active markets for identical assets or liabilities without adjustment.

Level 2: Valuations of financial instruments for which significant inputs are taken from observable market data for the asset and liability. These include quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets which are not active. These also include where valuation models are used to calculate the present values of expected future cash flows, using solely inputs (such as interest rate curves) from published market observable sources.

Level 3: The valuation of the asset or liability is not solely based on observable market data and includes unobservable inputs. Valuation techniques include net present value and discounted cash flow methods. The assumptions used in such models include risk-free benchmark interest rates, foreign currency exchange rates and expected price volatilities. The objective of the valuation techniques is to determine a fair value that reflects the price of the financial instrument that would have been used by two counterparties in an arm's length transaction.

32. Fair values (continued)

(c) Reconciliation of level 3 fair value measurements of financial instruments

	Derivative financial instruments £M	Loans and advances to customers £M	Total £M
Group 2025			
At 1 January 2025	(5.9)	145.0	139.1
Total gains/(losses) in the Income Statement	4.3	(3.9)	0.4
Net repayment in the year	–	(2.2)	(2.2)
At 31 December 2025	(1.6)	138.9	137.3
Group 2024*			
At 1 January 2024	(14.9)	153.6	138.7
Total gains/(losses) in the Income Statement	9.0	(7.6)	1.4
Net repayment in the year	–	(1.0)	(1.0)
At 31 December 2024	(5.9)	145.0	139.1
Society 2025			
At 1 January 2025	(25.1)	145.0	119.9
Total gains/(losses) in the Income Statement	12.7	(3.9)	8.8
Net repayment in the year	–	(2.2)	(2.2)
At 31 December 2025	(12.4)	138.9	126.5
Society 2024*			
At 1 January 2024	(31.2)	153.6	122.4
Total gains/(losses) in the Income Statement	6.1	(7.6)	(1.5)
Net repayment in the year	–	(1.0)	(1.0)
At 31 December 2024	(25.1)	145.0	119.9

Total gains/(losses) for the year are included in 'Fair value gains/(losses) from financial instruments' in the Income Statement.

*The Group and Society 2024 comparatives have been represented to exclude movement in fair value adjustment for portfolio hedged risk on loans and advances to customers.

No transfers were made into or out of Level 3 within the year

Year ended 31 December 2025

32. Fair values (continued)

(d) Recurring fair value measurement

Financial assets/ financial liabilities	Fair value at 31 December 2025	Fair value at 31 December 2024	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment securities	Group Assets - £3,921.9 million Society Assets - £3,921.9 million	Group Assets - £3,939.5 million Society Assets - £3,939.5 million	Level 1	Quoted bid prices in an active market sourced from third party data providers.	N/A	N/A
Derivative financial instruments (interest rate swaps)	Group Assets - £129.5 million and Liabilities - £116.8 million Society Assets - £129.5 million and Liabilities - £116.8 million	Group Assets - £369.4 million and Liabilities - £90.3 million Society Assets - £369.4 million and Liabilities - £90.3 million	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk exposure to the various counterparties.	N/A	N/A
Derivative financial instruments (cross currency swaps)	Group Assets - £1.5 million Society Assets - £1.5 million	Group Assets - £1.7 million Society Assets - £1.7 million	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates discounted at a rate that reflects the credit risk exposure to the various counterparties. Any foreign currency amounts are translated into sterling at the contract exchange rate.	N/A	N/A
Derivative financial instruments (equity release swaps) (Level 2)	Group Liabilities - nil Society Liabilities - nil	Group Liabilities - £1.8 million Society Liabilities - £1.8 million	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates discounted at a rate that reflects the credit risk exposure to the counterparty. The profile of future notional amounts is specified in the contract.	N/A	N/A

32. Fair values (continued)

(d) Recurring fair value measurement (continued)

Financial assets/ financial liabilities	Fair value at 31 December 2025	Fair value at 31 December 2024	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Derivative financial instruments (equity release swaps) (Level 3)	Group Liabilities - £1.6 million Society Liabilities - £1.6 million	Group Liabilities - £5.9 million Society Liabilities - £5.9 million	Level 3	Discounted cash flow. Future cash flows are estimated based on a projection of interest rates and RPI, a discount rate to reflect the counterparty risk and assumptions for prepayment which determines the profile of future notional amounts.	Assumptions on future life expectancy of customers based on best estimate mortality data. Assumptions on the level of prepayment.	An increase in life expectancy or reduction in prepayments will increase the value of the liability.
Derivative financial instruments (securitisation swaps)	Society Liabilities - £10.8 million	Society Liabilities - £19.2 million	Level 3	Discounted cash flow. The valuations are based on a discounted cash flow model which uses a projection of interest rates, a discount rate to reflect the counterparty risk and assumptions for future prepayment. The notional profile of the swaps tracks the balance of a loan portfolio which is subject to assumptions about the rate of prepayment.	Assumptions on future notional balances related to mortgage prepayment rates.	An increase in prepayment rates will increase the fair value of the swaps.
Loans and advances to customers (collateral loan)	Group Assets - £138.9 million Society Assets - £138.9 million	Group Assets - £145.0 million Society Assets - £145.0 million	Level 3	Discounted cash flow. The valuations are based on a discounted cash flow model which uses unobservable input assumptions for property price volatility, sales price haircut the discount rate used to discount future cash flows. The no negative equity component of the loan is valued using a stochastic modelling technique.	Assumptions on future life expectancy of customers based on best estimate mortality data. Assumptions on the level of repayment, house price volatility and the discount rate.	An increase in life expectancy or reduction in prepayment will increase the value of the asset. An increase in house price volatility or the discount rate will reduce the value of the asset.

Year ended 31 December 2025

32. Fair values (continued)

(e) Level 3 unobservable inputs

(i) Derivative financial instruments (securitisation swaps and Level 3 equity release swaps)

The valuation of securitisation swaps is performed using a combination of observable market interest rate data and unobservable assumptions about future mortgage prepayment. At 31 December 2025, a 10% proportionate increase in prepayments would lead to a decrease in the swaps, which are currently recognised as liability, of £1.2 million. A 10% proportionate reduction in prepayments would increase the net value of the swap liabilities by £1.2 million. These sensitivities reflect the variability in prepayment rates observed historically.

The equity release swap is linked to RPI and is valued using a discounted cash flow model which uses observable market data for RPI and the discount rate used to discount future cash flows and unobservable input assumptions for prepayment rates. Wherever possible, these input assumptions are calculated with reference to actual historic experience. The variable which is considered to have the largest impact on the value of the swap is the prepayment rate. At 31 December 2025, a one percentage point increase in the assumed prepayment rate would reduce the value of the swap liability by £0.1 million, resulting in a corresponding fair value gain in the Income Statement. A one percentage point reduction in the assumed prepayment rate would increase the value of the swap liability by £0.1 million, resulting in a corresponding fair value loss in the Income Statement.

(ii) Loans and advances to customers (collateral loan)

The collateral loan which represents a closed book of equity release mortgages is valued using a discounted cash flow model which uses unobservable input assumptions for property price volatility, sales price haircut, mortality, prepayment and the discount rate used to discount future cash flows. Wherever possible these input assumptions are calculated with reference to actual historic experience. The pool of equity release mortgages includes an aging borrower base. Any associated increase in risk is considered and reflected within the assumptions adopted. The variables which are considered to have the largest impact on the value of the loan are discount rate, property price volatility and the sales price haircut. The sensitivities below reflect a range of alternative assumptions based on observed historic data and regulatory guidance.

Assumption	Sensitivity modelled for current assumption	(Decrease)/increase in fair value of collateral loan (£M)
Discount rate	+/- 1 percentage point	(9.2)/10.3
Property price volatility	+/- 3 percentage points	(3.7)/3.4
Sales price haircut	+/- 5 percentage points	(3.2)/2.8

(iii) Fair value adjustment for hedged risk on loans and advances to customers

The Group designates a portfolio of fixed rate mortgages into hedge relationships to mitigate interest rate risk. The calculation of the fair value uses observable market interest rate data and assumptions about projected prepayments. These prepayment assumptions are unobservable inputs that are calculated using historic data and reviewed periodically so that projections are broadly in line with actual data, with sensitivities calculated based on historic observed variability.

At 31 December 2025, a 20% proportionate increase in mortgage prepayments would lead to a reduction in the fair value of the mortgages in the hedge relationship of £0.3 million. A 20% proportionate decrease in mortgage prepayments would lead to an increase in the fair value of the mortgages of £ 0.2 million.

33. Events after the date of the Statement of Financial Position

There have been no subsequent events between 31 December 2025 and the date of approval of these Annual Report and Accounts by the Board which would have had a material impact on the financial position of the Group or the Society.

Other Information

Annual Business Statement

Year ended 31 December 2025

1. Statutory percentages

	31 December 2025	Statutory limit
Lending limit	2.3%	25%
Funding limit	11.5%	50%

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986 (as amended by the Building Societies Act 1997).

The lending limit measures the proportion of business assets not in the form of loans fully secured on residential property. Business assets are the total assets of the Group as shown in the Statement of Financial Position, plus impairment provisions for loans and advances to customers, less liquid assets, intangible assets and property, plant and equipment.

The funding limit measures the proportion of shares and borrowings (excluding fair value adjustment for hedged risk) not in the form of shares held by individuals.

2. Other percentages

	31 December 2025	31 December 2024
As a percentage of shares and borrowings:		
Gross capital	7.78%	7.10%
Free capital	7.47%	6.82%
Liquid assets	18.51%	22.52%
Profit for the financial year as a percentage of mean total assets	0.46%	0.33%
Management expenses as a percentage of mean total assets	0.68%	0.66%

The above percentages have been prepared from the Group's consolidated accounts and in particular:

- 'Shares and borrowings' represent the total of shares, amounts owed to credit institutions, amounts owed to other customers and debt securities in issue.
- 'Gross capital' represents the aggregate of general reserve, other reserve, revaluation reserve, fair value reserve, cash flow hedge reserve, subordinated liabilities and subscribed capital.
- 'Free capital' represents the aggregate of gross capital less intangible assets and property, plant and equipment.
- 'Liquid assets' represent the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and investment securities.
- 'Mean total assets' represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
- 'Management expenses' represent the aggregate of administrative expenses, depreciation and amortisation.

3. Principal Office

Leeds Building Society is a building society, incorporated and domiciled in the United Kingdom. The address of the Principal Office is: 26 Sovereign Street, Leeds, West Yorkshire, LS1 4BJ

Year ended 31 December 2025

4. Information relating to the directors at 31 December 2025

Name	Occupation	Date of Birth	Date first appointed	Other directorships/appointments
Chair				
B McCafferty Chair from 1 March 2025	Chair	06.06.1967	01.09.2024	Academy Insurance Services Ltd Salinas Midco Limited Vmans Limited The Unbeatable Group Limited BDH Group Limited Salinas Topco Limited Caritas Diocese of Salford Catholic Truth Society (Diocese of Salford) Blueprint Trust The Salford Diocesan Trust Nest Corporation
Vice Chair				
N A Fuller Vice Chair and Interim Senior Independent Director from 23 June 2025	Non-Executive Director	17.12.1966	01.12.2020	Cynergy Bank plc
Interim Chief Executive Officer				
*A M Barnes Interim Chief Executive from 23 June 2025	Interim Chief Executive Officer	10.11.1968	01.02.2019	Globaldata plc Stratos Markets Ltd (trading as FXCM UK and Tradu)
Deputy Chief Executive Officer				
*A J Greenwood Deputy Chief Executive Officer from 1 May 2021	Deputy Chief Executive Officer	11.12.1969	08.01.2015	Leeds Teaching Hospitals NHS Trust Shared Ownership Code Limited
Directors				
F A Buckley	Non-Executive Director	12.05.1980	01.04.2023	Aurora UK Alpha plc Caledonia Investments plc Apollo Syndicate Management Ltd
***A P Conroy	Chief Financial Officer	11.12.1975	06.01.2020	None
**D Fisher	Non-Executive Director	02.08.1958	27.03.2012	None
*R J Howse	Chief Operating Officer	03.12.1970	01.05.2021	The Grammar School at Leeds
P E Rowland	Non-Executive Director	22.12.1961	01.05.2023	Saga Services Ltd
A Tadayon	Non-Executive Director	10.06.1966	22.10.2021	Tadayon Consulting Ltd

*Executive directors.

**D Fisher is a non independent non-executive director

***A P Conroy was previously an executive director and his last day in post was 31 December 2025.

The Society's executive director service contracts can be terminated on twelve months' notice by either the Society or the director. Documents may be served on the above-named directors at: Addleshaw Goddard LLP, One St Peter's Square, Manchester M2 3DE. More information on director appointments can be found within the 2025 Pillar 3 document which is available on the society's website at leedsbuildingsociety.co.uk/your-society/financial-results.

Country by Country Reporting

Year ended 31 December 2025

Leeds Building Society provides disclosures below in accordance with the Capital Requirements (Country by Country Reporting) Regulations 2013. The information below has been audited in accordance with the standards required by Directive 2006/43/EC.

Nature and location of the Group's activities

The Society is the UK's fifth largest building society with 51 branches (2024: 51), total assets of £32.0 billion (2024: £31.6 billion) and 1,011,000 members (2024: 991,000). The Society's mortgage book primarily relates to properties in the UK, with a small proportion of historic balances, but no new lending, in Spain and Gibraltar.

The Society's subsidiary undertakings, their country of incorporation and their principal activities are detailed in Note 16. The Society and its subsidiaries are all tax resident in the United Kingdom.

The Society has no physical presence or regulatory branch in Spain, with all mortgages administered from the UK. The results of the Society's activity in Spain are included in the results of the Society and subject to taxation in the UK.

The Society has no permanent establishment in Gibraltar, with all mortgages administered from the UK. The results of the Society's activity in Gibraltar are included in the results of the Society and subject to taxation in the UK.

Results by country

The information for the year ended 31 December 2025 presented below is at a full Group level of consolidation, which has been prepared under IFRS.

Total income is defined as net interest income plus fees and commissions receivable (net of fees and commissions payable), fair value gains less losses from financial instruments, together with all other components of operating income. Total income, profit before tax and corporation tax charge are as disclosed in the Group's Income Statement.

Average monthly number of employees is shown on a full time equivalent (FTE) basis. Colleague costs comprise wages and salaries, social security costs and pension costs as disclosed in Note 8.

Corporation tax paid represents the total payments as reported in the Statement of Cash Flows on page 164.

2025	UK*	Spain	Total	*UK includes Gibraltar
Total income (£M)	411.8	0.7	412.5	0.3
Profit before tax (£M)	196.9	1.7	198.6	0.3
Total assets (£M)	31,940.3	22.1	31,962.4	3.2
Total assets less liabilities (£M)	1,821.9	22.1	1,844.0	3.2
Average number of FTEs	1,742.0	–	1,742.0	–
Staff costs (£M)	114.2	–	114.2	–
Corporation tax charge (£M)	53.1	–	53.1	–
Current tax charge	55.1	–	55.1	–
Deferred tax credit	(2.0)	–	(2.0)	–
Corporation tax paid (£M)	53.6	–	53.6	–
2024	UK*	Spain	Total	*UK includes Gibraltar
Total income (£M)	353.9	1.7	355.6	0.4
Profit before tax (£M)	136.6	0.9	137.5	0.4
Total assets (£M)	31,586.6	26.0	31,612.6	4.6
Total assets less liabilities (£M)	1,694.4	26.0	1,720.4	4.6
Average number of FTEs	1,712	–	1,712	–
Staff costs (£M)	106.1	–	106.1	–
Corporation tax charge (£M)	37.6	–	37.6	–
Current tax charge	38.6	–	38.6	–
Deferred tax charge	(1.0)	–	(1.0)	–
Corporation tax paid (£M)	28.2	–	28.2	–

Return on assets

The return on assets, calculated as profit before tax divided by mean total assets, was 0.62% (2024: 0.50%) for the year ended 31 December 2025.

Public subsidies received

The Group received no public subsidies in the year ended 31 December 2025.

Glossary of Terms

Year ended 31 December 2025

Alternative Performance Measures

The table below sets out the Alternative Performance Measures (APM) used within the Annual Report and Accounts. These are financial measures of the Group's performance or position which are not defined or specified under IFRS but which are useful in understanding how the Group has performed. The measures used are common practice across the financial services industry and facilitate comparisons with other institutions.

The table explains how the APM is calculated and provides a reconciliation to the closest equivalent statutory measure, as defined or specified under IFRS.

Measure	Definition and purpose	How the measure is calculated	Reconciliation to statutory measure under IFRS
Cost to income ratio	A measure of the efficiency of the Group in generating its income by showing the level of costs incurred relative to the level of income generated. This measure is used by the Group to monitor and manage its cost base.	Management expenses (administrative expenses plus depreciation and amortisation) divided by total income, as recorded in the Income Statement.	No equivalent statutory measure but all elements of the calculation are separately disclosed in the Income Statement.
Cost to mean asset ratio	A measure of the efficiency of the Group in maintaining its asset base, showing the level of costs incurred relative to the size of the Group's balance sheet. This measure is used by the Group to monitor and manage its cost base.	Management expenses (administrative expenses plus depreciation and amortisation) for the period divided by the mean of the opening and closing total assets for the period, as recorded in the Statement of Financial Position.	No equivalent statutory measure, but all elements of the calculation are separately disclosed in the Income Statement or Statement of Financial Position.
Net interest margin	Net interest income (the difference between interest receivable and interest payable) is the primary source of income for the Group. This is a key measure for monitoring and managing the level of income generated by the Group's balance sheet.	Net interest receivable, as recorded in the Income Statement, divided by the mean of the opening and closing total assets for the period, as recorded in the Statement of Financial Position.	No equivalent statutory measure, but all elements of the calculation are separately disclosed in the Income Statement or Statement of Financial Position.
Net residential lending	The increase in the size of the Group's residential mortgage book during the year. Used by the Group to monitor and manage the growth of the business.	Gross residential lending less redemptions, contractual repayments and other capital repayments.	This is approximately equal to the difference between the opening and closing balance of loans and advances fully secured on residential property in the Statement of Financial Position, adjusted for movements in impairment loss provisions and other accounting adjustments.
New (gross) residential lending	The total amount of new loans and advances to customers secured on residential property advanced by the Group during the year.	No calculation required.	No equivalent statutory measure.
Underlying profit before tax	Profit before tax with one-off items added back, to allow comparison to prior periods.	Profit before tax add back one-off items.	Profit before tax add back one-off items.

Year ended 31 December 2025

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 mortgage member is in arrears when they are behind in fulfilling their payment obligations with the result that an outstanding loan commitment is overdue. Such a member can also be said to be in a state of delinquency.

Basel 3

Basel 3 is the third Capital Adequacy Framework issued by the Basel Committee on Banking Supervision, which defines the capital and liquidity rules for banks and building societies. The framework has been embedded into UK law through the European Capital Requirements Directive V (CRD V).

Basis point

One hundredth of one per cent (0.01%), so 100 basis points is 1%. Used in quoting movements in interest rates or yields on securities.

Commercial loans

Loans secured on commercial property.

Common Equity Tier 1 (CET1) ratio

This is a regulatory ratio, calculated as the total of CET1 capital divided by Risk Weighted Assets (RWAs). CET1 capital is the highest quality form of capital and comprises general reserves from retained profits, less the book values of any pension surplus, goodwill and intangible assets and other regulatory adjustments as defined under Capital Requirements Directive (CRD) V.

Contractual maturity

The final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal and interest is due to be repaid.

Covered bonds

Debt securities backed by a portfolio of mortgages that is segregated from the issuer's other assets solely for the benefit of the holders of the covered bonds. The Group issues covered bonds as part of its funding activities.

Credit risk

This is the risk that a member or counterparty is unable to pay the interest or to repay the capital on a loan when required.

Debt securities in issue

Transferable certificates of indebtedness of the Group to the bearer of the certificates. These are liabilities of the Group and include certificates of deposit.

Default

An account is classified as in default for impairment provisioning Default occurs when a borrower is deemed unlikely to repay their loan or other amount due to the Group.

Derivative financial instruments

A derivative financial instrument is a type of financial instrument (or an agreement between two parties) whose value is based on the underlying asset, index or reference rate to which it is linked. The Group uses derivative financial instruments to hedge its exposures to market risks, such as interest rate and foreign currency risk.

Effective interest rate method (EIR)

The method used to measure the carrying value of a financial asset or a liability and to allocate associated interest income or expense to produce a level yield over the relevant period.

Expected credit loss (ECL)

A calculation to estimate potential losses on current exposures due to potential defaults; the term is used in relation to impairment loss provisioning under IFRS 9 and is derived from the multiplication of the PD, LGD and EAD.

Exposure at default (EAD)

An estimate of the maximum loss that an entity might suffer if a borrower or other counterparty fails to meet their obligations at default.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.

Financial Services Compensation Scheme (FSCS)

The UK's compensation fund of last resort for members of authorised financial services firms. The FSCS may pay compensation to members 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. Every firm authorised by the FCA and PRA is obliged to pay an annual levy, which goes towards its running costs and compensation payments.

Forbearance strategies

Strategies to assist borrowers in financial difficulty, such as agreeing a temporary reduction in payments, extending loan terms and temporarily converting loans to an interest only basis. Forbearance strategies aim to avoid repossession where it is in the interest of the borrower.

Free capital

The aggregate of gross capital less intangible assets and property, plant and equipment.

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.

General reserves

The accumulation of the Group's profit after tax since inception. It is the Group's main component of Common Equity Tier 1 capital which is a measure of strength and stability.

Gross capital

The aggregate of the general reserve, cash flow hedge reserve, fair value reserve, other reserve, revaluation reserve, subordinated liabilities and subscribed capital.

Impaired loans

Loans where there is objective evidence that an impairment event has occurred, meaning that the Group does not expect to collect all the contractual cash flows or expect to collect them when they are contractually due.

Internal Capital Adequacy Assessment Process (ICAAP)

The Group's own assessment, as part of CRD V requirements, of the levels of capital that it needs to hold in respect of regulatory capital requirements for risks it faces under a business as usual scenario and a number of stressed scenarios.

Internal Liquidity Adequacy Assessment Process (ILAAP)

The Group's own internal assessment of the level of liquidity that it needs to hold in respect of regulatory liquidity requirements in relation to a number of stressed scenarios.

Internal Ratings Based (IRB) Approach

An approach for measuring exposure to credit risk which is more sophisticated than the Standardised Approach, where an entity can calculate its own risk weights for certain assets. IRB approaches can only be used with the permission of the Prudential Regulation Authority.

International Swaps and Derivatives Association (ISDA) master agreement

A standardised contract developed by ISDA and used to enter into bilateral derivative transactions granting legal rights of offsetting for derivative transactions with the same counterparty.

Investment securities/debt securities

Assets held by the Group representing certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.

Lending limit

Measures the proportion of business assets not in the form of loans fully secured on residential property.

Leverage ratio

A regulatory ratio which measures the value of the Society's Tier 1 capital as a proportion of total relevant non-risk weighted assets. The CRR leverage ratio is defined by the EU's Capital Requirements Regulation, while the UK leverage ratio modifies this ratio to exclude central bank reserves. The UK regime does not apply to the Society as the applicable threshold set by the regulator (greater than £50 billion of retail deposits increasing to greater than £75bn from 1 January 2026).

Liquid assets

Assets which are either in the form of cash or are readily convertible into cash. Total of cash in hand and balances with the Bank of England, loans and advances to credit institutions, and investment securities.

Liquidity Coverage Ratio (LCR)

A regulatory standard ratio implemented by the Basel 3 Reforms. It is calculated as the stock of high quality liquid assets divided by the total net stressed cash outflows over the next 30 calendar days expressed as a percentage.

Liquidity risk

The risk that the Group is not able to meet its financial obligations as they fall due, or will only be able to do so at an excessive cost. This risk arises from timing mismatches of cash inflows and outflows.

Loan to income ratio (LTI)

A ratio which expresses the amount of a mortgage as a percentage of the borrower's income, used to assess affordability and determine borrowing limits.

Loan to value ratio (LTV)

A ratio which expresses the amount of a mortgage as a percentage of the value of the property. The Group calculates residential mortgage LTV on an indexed basis (the value of the property is updated on a quarterly basis to reflect changes in the house price index).

Loans past due/past due loans

Loans are past due when a counterparty has failed to make a payment when contractually due.

Loss given default (LGD)

A parameter used in relation to credit risk exposures modelled under IFRS 9; an estimate of the difference between the EAD and the net amount recovered, expressed as a percentage of the EAD.

Management expenses

Management expenses represent the aggregate of administrative expenses, depreciation and amortisation as recorded in the Income Statement.

Market risk

The risk that movements in market risk factors, including foreign exchange rates, interest rates and member driven factors, will create losses or decrease portfolio values.

Mean total assets

Represents the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.

Member

A person who has a share investment or a mortgage loan with the Society which satisfies the Society's rules for membership.

Minimum Requirements for Own Funds and Eligible Liabilities (MREL)

The total loss absorbing capital a financial institution must hold to facilitate the recapitalisation of the institution in resolution.

Net interest income

The difference between interest receivable and similar income and interest payable and similar charges. This is the same as net interest receivable in the Income Statement.

Year ended 31 December 2025

Net Promoter Score®

The Net Promoter Score® (NPS) is a measure of satisfaction and loyalty to the Group based on survey responses. It measures the proportion of promoters (positive responses) less the proportion of detractors (negative responses). We use the NPS methodology to measure satisfaction among our broker partners.

Net Stable Funding Ratio (NSFR)

A regulatory standard ratio implemented by the Basel 3 reforms which is the total amount of stable funding divided by the total amount of required stable funding, expressed as a percentage. The NSFR is currently an observable measure which became a minimum standard in 2022 with the implementation of CRR2.

Notional principal amount

The notional principal amount indicates the amount on which cash flows on derivative financial instruments are calculated and does not represent amounts at risk.

Operational risk

The risk of loss arising from inadequate or failed internal processes, people and systems or from external events.

Probability of default (PD)

An estimate of the likelihood a borrower will not be able to meet their debt obligations as they fall due.

Permanent interest bearing shares (PIBS)

Unsecured deferred shares that are a form of capital. PIBS rank behind the claims of all subordinated debt holders, depositors, payables and investing members of the Group.

Replacement cost

The amount the Group would need to pay to replace derivative contracts that are favourable to the Group if the counterparty with whom the contract was held were unable to honour their obligation.

Repurchase agreements (Repo)

A repurchase agreement allows a borrower to use a financial security as collateral for a cash loan at a fixed rate of interest. In a repo, the borrower agrees to sell a commitment to repurchase the asset at a specified price on a given future date. For the party selling the security and agreeing to repurchase the asset in the future, it is a repo, for the party purchasing the security and agreeing to resell, it is a reverse repo.

Residential loans

Loans which are secured against residential property.

Residential mortgage backed securities (RMBS)

A category of asset backed security that represents interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest/principal).

Risk appetite

The articulation of the level of risk that the Group is willing to take (or not take) in order to safeguard the interests of the Society's members while achieving business objectives.

Risk-weighted assets (RWAs)

A regulatory measure which adjusts the value of assets as recorded in the Statement of Financial Position to reflect the relative level of risk. This measure is used in calculating regulatory capital requirements.

Securitisation

The process by which a group of assets (usually loans) is aggregated into a pool which is used to back the issuance of new securities. A company transfers assets to a special purpose entity which issues securities backed by those assets. The Society has established securitisation structures (using residential mortgages) as part of its funding activities.

Shares

Money deposited by a person in a retail savings account with the Group. Such funds are recorded as liabilities for the Group.

Shares and borrowings

The total of shares, amounts owed to credit institutions, amounts owed to other customers and debt securities in issue.

SONIA

The Sterling Over Night Index Average rate. The risk free rate calculated as the weighted average overnight sterling deposit rate for each business day.

Subordinated liabilities

Debt securities issued by the Group which have certain terms and conditions attached relating to the payment of interest and principal such that they are ranked behind the claims of all other creditors and members of the Society, other than subscribed capital.

Subscribed capital

Debt securities issued by the Group which have certain terms and conditions attached relating to the payment of interest and principal such that they are treated as capital.

Tier 1 capital

A measure of financial strength as defined by the PRA. Tier 1 capital is divided into Common Equity Tier 1 and other Tier 1 capital. Common Equity Tier 1 capital is defined above, while other Tier 1 capital includes qualifying capital instruments such as PIBS.

Tier 2 capital

A further component of regulatory and financial capital as defined by CRD V.

Wholesale funding

The total of amounts owed to credit institutions, amounts owed to other customers and debt securities in issue.