

# Annual Report & Accounts 2025



# Annual Report & Accounts

The acquisition of The Co-operative Bank on 1 January 2025 has given the Coventry Building Society the platform to build a modern mutual banking group with scale and a clear sense of purpose.

A mutual owned by our members with the ambition to offer something meaningfully different to families, businesses and individuals across the country. Bringing together the best of the Coventry Building Society and The Co-operative Bank to better meet peoples' needs.

## Strategic Report

Group performance highlights	<u>5</u>
A statement from our Chair	<u>7</u>
Your Chief Executive's review of the year	<u>9</u>
Welcoming The Co-operative Bank	<u>13</u>
Our strategy	<u>14</u>
Our stakeholders	<u>17</u>
Building a sustainable Group	<u>19</u>
Our external environment and top and emerging risks	<u>23</u>
Chief Financial Officer's review	<u>26</u>

## Risk Management Report

Information about our capital, liquidity and funding position and how we manage key risks relating to our operations	<u>33</u>
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## Our approach to climate change

This section outlines how the Group is responding to climate change including its climate related financial disclosures	<u>62</u>
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## Governance

Our Board of directors and a review of our governance, including the Directors' Report and annual report on remuneration	<u>73</u>
--	-----------

## Financial Statements

Our audited financial statements and related notes, including the Independent Auditors' Report	<u>121</u>
--	------------

## Other information

Annual Business Statement	<u>198</u>
Glossary	<u>201</u>

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The photography in this Annual Report & Accounts features some of our amazing colleagues, members and customers.

Coventry Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority ([www.fca.org.uk](http://www.fca.org.uk)) and the Prudential Regulation Authority (firm reference number 150892). Coventry Building Society. Principal Office: Coventry House, Harry Weston Road, Binley, Coventry, West Midlands CV3 2TQ.

# Annual Report & Accounts

This Annual Report and Accounts is the first financial year of combined reporting for the enlarged Group following the acquisition of The Co-operative Bank Holdings p.l.c. by Coventry Building Society on 1 January 2025.

The full year ended 31 December 2025 includes the financial impacts of this acquisition along with resulting acquisition and integration-related costs.

Comparative period references in this Annual Report and Accounts do not include the Bank.

Underlying profit to statutory profit is reconciled on page 27.

The contents of pages 4 to 120 are unaudited, unless otherwise stated.

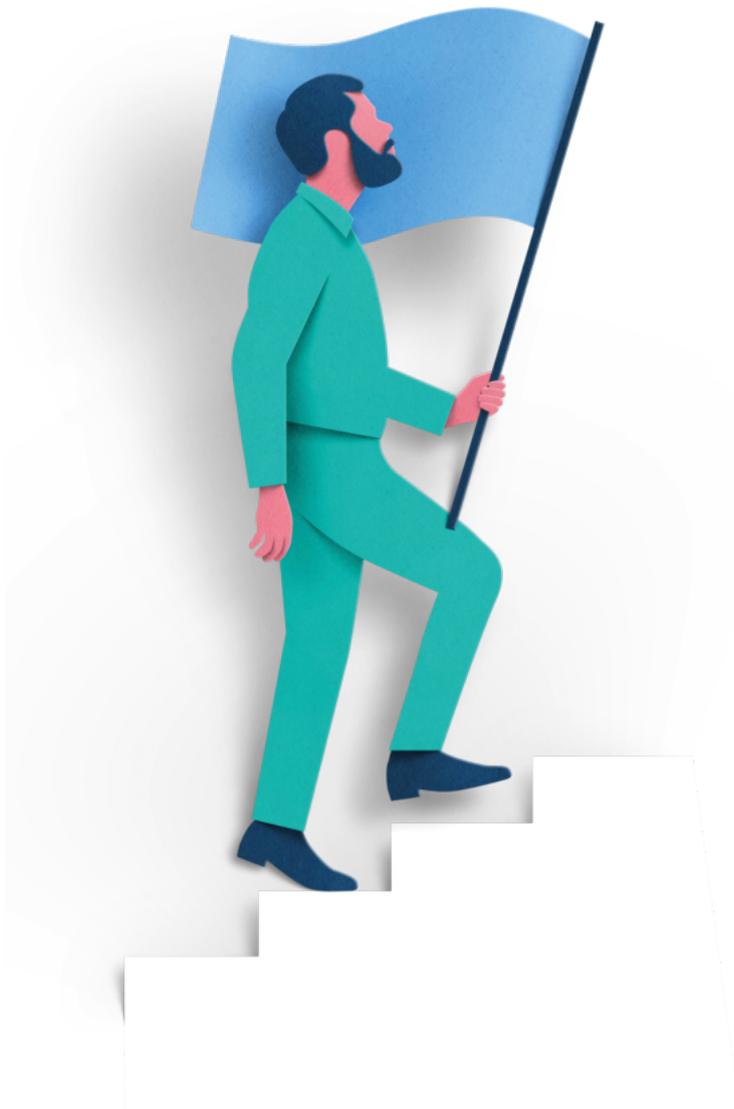
## The following terms are used in this report:

<b>The Group</b>	Coventry Building Society and all of its subsidiaries, including the Bank from 1 January 2025.
<b>Coventry Building Society the Society</b>	Coventry Building Society, parent entity of the Group.
<b>The Society sub-group</b>	Coventry Building Society and its subsidiaries, excluding the Bank sub-group.
<b>The Co-operative Bank Holdings p.l.c. the Bank the Bank sub-group</b>	The entity acquired on 1 January 2025 by Coventry Building Society, including all of its subsidiaries.
<b>The Co-operative Bank</b>	The trading entity which conducts the banking operations within the Bank sub-group.
<b>Underlying profit</b>	Underlying profit excludes all of the accounting impacts of acquiring the Bank, including day one acquisition, accounting and related unwinds, reset of accounting policies on the acquired assets and liabilities and related acquisition and integration costs. Underlying performance is considered to be a better measure of core business performance.

# Strategic Report

An overview of strategy and our financial and non-financial performance in the year.

Group performance highlights	<u>5</u>
A statement from our Chair	<u>7</u>
Your Chief Executive's review of the year	<u>9</u>
Welcoming The Co-operative Bank	<u>13</u>
Our strategy	<u>14</u>
Our stakeholders	<u>17</u>
Building a sustainable Group	<u>19</u>
Our external environment and top and emerging risks	<u>23</u>
Chief Financial Officer's review	<u>26</u>
Other information	<u>32</u>



# Group performance highlights

A defining and transformational year for the Group having brought The Co-operative Bank back into mutual ownership, delivered on our integration and financial performance commitments and created our new ambitious organisational strategy.

The Co-operative Bank was acquired by the Group on 1 January 2025. As a result, comparative information for 2024 excludes the results of the Bank, unless specifically stated.

## Delivering for our members and our personal and business customers

- The acquisition of the Bank has increased our market share<sup>1</sup> of mortgages to 4.2% and savings to 3.5%, and creates an opportunity to build on the 1.6% market share acquired in the personal current accounts segment.
- Excluding the impact of the acquisition, Group lending balances remained stable in the year as we focused on capital accretion, given our significant inorganic growth in the period and the highly competitive market.
- The Group launched a successful limited company buy to let proposition in April, broadening our reach to the residential rental sector with over £1 billion of applications received in the year.
- Excluding the impact of the acquisition, Group deposit balances increased by £2.4 billion to £71.7 billion, reflecting the strength of our propositions.
- Over 76,000 personal current accounts were opened in the year with positive net switching of almost 4,000. There were also 16,000 new business current accounts opened with plans to expand relationship management capability.

Mortgage market share<sup>1</sup>

**4.2%**

(2024: 3.1%)

Savings market share<sup>1</sup>

**3.5%**

(2024: 2.7%)

Current account market share<sup>1</sup>

**1.6%**

(2024: not applicable)

## Our commitment to service and value

- The Society continues its record of outstanding customer service with an NPS score<sup>2</sup> of +75 and an average call wait time<sup>3</sup> of just 79 seconds. We have started to measure NPS at the Bank and the results are already tracking positively.
- The Bank has increased its focus on service and it is pleasing to see a significant improvement across direct channels, including telephony. The average speed to answer calls is now three times faster than 2024 and at the lowest level in the last six years.
- The Society has continued to offer member value with a £398 million premium<sup>4</sup> above the market average being paid to members, in line with the prior year despite the lower bank rate environment.

Society Net Promoter Score<sup>2</sup>

**+75**

(2024: +79)

Value returned to members<sup>4</sup>

**£398m**

(2024: £401m)

## Supporting our colleagues and the communities we serve

- We are proud of our continued external recognition as a Great Place to Work in the super large organisation category<sup>5</sup>. Whilst this is a decline in the year to 76% this reflects the coming together of two organisations and a period of significant change for colleagues.
- The Society has been named as one of the UK's Best Workplaces<sup>TM</sup> for Development<sup>6</sup>, recognising our commitment to making colleague development a key part of our culture.
- We have invested £6 million over the year in supporting our communities<sup>7</sup>, working alongside national and local charity partners, including maintaining our funding to tackle youth homelessness at £2 million.

Great Place to Work Trust Index<sup>®</sup> score<sup>5</sup>

**76%**

(2024: 83%)

Total community investment<sup>7</sup>

**£6m**

(2024: £5m)

1. Source: Bank of England. Market data as at 31 December 2025 (31 December 2024).

2. A measure of customer advocacy that ranges between -100 and +100 which represents how likely a customer is to recommend our products and services. Bank data started to be measured from 1 April 2025.

3. Based on Society average call waiting times between 1 January 2025 and 31 December 2025.

4. Based on the Society's average month end savings rate compared to the CACI Ltd's Current Account and Savings Database rest of market average rate for savings accounts, excluding current accounts and offset savings, for the 12 months of the year.

5. A measure indicating a trust-based people first workplace based on positive responses to the annual Great Place to Work survey.

6. By Great Place to Work.

7. Total community investment made by the Group has been determined in line with the Business for Societal Impact (B4SI) framework.

# Group performance highlights

The Co-operative Bank was acquired by the Group on 1 January 2025. As a result, comparative information for 2024 excludes the results of the Bank, unless specifically stated.

## Robust Group financial performance

- Underlying<sup>1</sup> profit before tax increased to £374 million (2024: £349 million), with income, costs and impairment charges increasing as a result of the acquisition of the Bank on 1 January 2025.
- Statutory profit before tax increased to £801 million (2024: £323 million), including a gain of £584 million on the acquisition of the Bank. The day one gain reflects the agreed purchase consideration being over 40% below the fair value of the net assets acquired.
- Total underlying income of £1,124 million (2024: £664 million) and underlying net interest margin of 1.22% (2024: 1.07%).
- Underlying<sup>1</sup> costs of £735 million (2024: £333 million), including £404 million of Bank costs. The cost to income ratio increase reflects the inclusion of the Bank's financial results for the year. The Society sub group costs remained broadly flat at £331 million (excluding £67 million acquisition and integration costs).
- The Bank's performance is in line with our expectations for the year, providing confidence in the financial benefits of the acquisition. Bank fraud losses have seen a significant reduction in the year with a nearly 40% fall in losses incurred.

**Underlying<sup>1</sup> profit before tax**  
£374m  
(2024: £349m)

**Statutory profit before tax**  
£801m  
(2024: £323m)

**Underlying<sup>1</sup> cost to income ratio**  
65%  
(2024: 50%)

## The newly formed group is well capitalised with low arrears

- Leverage ratio of 4.6% (2024: 5.7%) and CET 1 ratio of 19.7% (2024: 28.0%), well above regulatory levels<sup>2</sup>. The reduction in the year reflects the inclusion of the Bank.
- Arrears rates remain low for the Group at 0.38% (2024: 0.33%) with mortgages more than three months in arrears remaining significantly below the market average<sup>3</sup>. Credit impairment charges of £24 million on a statutory basis (2024: £18 million release) reflect the inclusion of the Bank and the accounting requirements to reset provision staging on acquisition.
- The average liquidity coverage ratio (LCR) over the 12 month period remained strong at 230% (2024: 258%) with the Group successfully repaying the majority of outstanding TFSME<sup>4</sup> drawings in the year.

**UK leverage ratio**  
4.6%  
(2024: 5.7%)

**Common Equity Tier 1**  
19.7%  
(2024: 28.0%)

**Mortgages more than 3 months in arrears**  
0.38%  
(2024: 0.33%)

## The Group continues to be recognised externally for doing the right thing



**Coventry Building Society Fairer Finance**  
Gold ribbon for customer experience for our savings



**Coventry Building Society Fairer Finance**  
Gold ribbon for customer experience for our mortgages



**The Co-operative Bank**  
Recognised as a Which? Eco Provider for Current Accounts, for the third year running



**the Group**  
Great Place to Work Best Workplaces in Financial Services & Insurance

1. Excluding items that are one off in nature relating to the purchase and integration of the Bank. See page 27 for further details.  
 2. The UK leverage ratio framework is not yet binding for the Group and is expected to apply at the point retail deposits exceed £75 billion at the subsequent annual reporting date.  
 3. Source: UK Finance.  
 4. The Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME).

# A statement from our Chair



2025 was a defining year for Coventry Building Society as we completed the acquisition of The Co-operative Bank, an organisation that shares our mutual heritage and values.

Prior to the acquisition, the Board came to the view that maintaining the status quo was not going to be optimal for the Society, given the challenges of a fast-changing competitive landscape, digital innovation and an economic environment marked by weak growth and uncertainty.

As 2025 unfolded, with industry consolidation playing out, reductions in interest rates and tighter margins across the sector, it is clear that acquiring the Bank was the right decision for the Society. We now have the opportunity to create something meaningfully different in our industry, while protecting the long-term interests of our members.

During the year, the leaders and teams across the Group have focused on bringing the Society and Bank together, while continuing to deliver what matters most to our members and customers - excellent service, competitive rates and the security of knowing their money is safe. Our commitment to these priorities remains as strong today as it has been throughout our 140 year history.

## A challenging economic and geopolitical environment

2025 continued to be a challenging economic climate. Economic growth was minimal throughout the year, and business confidence remains low, with the impact of the Government's fiscal policy weighing heavily on investment and hiring decisions.

Geopolitics has remained unstable in 2025, with the post cold war consensus coming under increasing challenge and threat. All of these elements have combined to create one of the most challenging market environments we've faced for some time.

The financial services industry has responded in two ways - further consolidation in the retail banking space and increased competition, both from large players and specialist lenders. This has created difficult trading conditions in both the mortgages and savings markets.

Had we not acquired the Bank and diversified our business over the past 12 months, our ability to remain competitive would have been challenged. However, the enlarged Group's broader product offering gives us an enhanced ability to manage low-margin mortgage lending in competitive markets and offer the best possible rates to savers.

## Supporting our members through a challenging time

The cost of living crisis remains very real for many and ongoing economic uncertainty continues to create nervousness about job security. This all adds up to people delaying major life decisions, such as moving home or planning for the future.

This nervousness is reflected in the performance of the housing market, where 2025 was marked by slow price growth, fluctuating activity levels and continued buyer caution, with annual house price increases remaining low and transactions influenced by economic uncertainty.

This means, more now than ever, we need to be here for our members and customers and continue to stand for great rates, service and security.

## A strong business to meet the needs of members

As we move forward with the integration of the Bank, your Society will be better placed than ever to navigate challenges ahead with confidence. Across the Group, we can offer a broader range of products, such as personal current accounts and business banking.

One of the priorities of the new Group is to show we can be meaningfully different from both the high street banks and the other building societies. Your Board is focused on retaining what makes us special for our members, while making sure we offer a modern, fresh alternative to the other choices people have in the market.

You can expect to hear more on that in the year ahead.

# A statement from our Chair continued

## Delivering on our areas of focus

The Board's overarching priority is to protect the long-term interests of its members. Under that umbrella, your Board's priority areas during the last year included in particular:

- Defining the strategy of our combined Group;
- Overseeing the organisational integration of colleagues, culture and technology; and
- Delivering in year performance to the highest possible standards.

The business has made good progress against those priorities. I am particularly pleased that management has been able to keep its focus firmly on achieving day-to-day service and value for our members and customers, at the same time as progressing the complex projects that are required as part of the integration process.

## Strengthening our Board

We have made a number of appointments in 2025 to strengthen our Board. In January 2025, Caroline Marsh became the Chair of the Remuneration Committee on appointment and Mark Parker joined the Board from The Co-operative Bank. Jane Leach also joined the Board in October 2025 and as Chair of Board Audit Committee from November 2025. All three have had extensive and successful careers in the financial services industry and bring valuable, fresh perspectives to the Board's discussions.

## Looking to the future

In the coming year, we anticipate further reductions to interest rates, while the mortgage market looks set to remain highly competitive. We will continue to work hard to balance the needs of all of our members and customers and ensure we meet their expectations in terms of service and value.

In terms of the issues on the horizon, we keep a constant eye on policy changes and will make our voice heard on issues that we feel go against our members' interests. With that in mind, we were glad to see the Government carve out the over 65s from the upcoming cuts to the cash ISA allowances.

In terms of the broader external forces that require our attention, two stand out: cyber security and Artificial Intelligence ('AI'). The cyber threat continues to grow, and we are investing significantly in our defences and in protecting members and customers from fraud. AI also has the potential to be genuinely transformational for our industry. What form that transformation will take is still emerging, but we remain alert to both the threats and opportunities.

As we look to the future, the Group is strongly positioned to navigate whatever the external environment may bring. We are confident that the enlarged Group can build a unique position in the market as a modern mutual meeting the needs of its members and customers.

## David Thorburn

Chair of the Board  
26 February 2026

"The Group is focused on delivering what matters most to our members and customers - excellent service, competitive rates and the security of knowing their money is safe.



# Your Chief Executive's review of the year



2025 was a pivotal year for Coventry Building Society Group. 1 January marked the legal completion of our acquisition of The Co-operative Bank. A landmark transaction designed to bring together two organisations that share the same values, the same commitment to doing the right thing and the same ambition: to redefine banking for our members and our customers.

For the Group, this was the year that we started laying the groundwork for our new organisation - one which will offer something meaningfully different to families, businesses and individuals across the country, and bring together the best of Coventry Building Society and The Co-operative Bank to better meet people's needs.

It has been a significant year. Integration milestones have been met at a controlled pace but with real energy and purpose. We are committed to delivering a successful integration, which is why we're taking the time to do things properly and create strong foundations for our long-term future. One of our key achievements this year was to define a new shared purpose for the Group. This provides a guide for how we will bring the two organisations together and how we show up for our members, our customers and communities in a way that delivers great service, great value, security and makes a difference to their world.

Our new purpose, 'We power good with every pound', drives everything we do and every decision we make for our colleagues, our members and our customers. At its

core is a fundamental belief that every pound holds the power to create positive change. I've been extremely proud to witness that purpose in action as our teams have responded to the challenges we have set. We have made huge progress with bringing together our colleagues, integration of our systems and redefining our common culture.

And we've achieved all this, while maintaining our focus on delivering for members and customers. Our underlying<sup>1</sup> Group profit before tax of £374 million (2024: £349 million) is ahead of our expectations. That performance comes in spite of a challenging external environment in which interest rates are falling, continued cost of living challenges and intensified competition in mortgage and savings markets.

Our statutory profit before tax of £801 million (2024: £323 million) includes a significant day one gain on the acquisition of the Bank. The day one gain of £584 million reflects the agreed purchase consideration being over 40% below the fair value of the net assets acquired. As importantly, our commitment and focus to members and customers is unwavering.

When we envisaged the rationale for the acquisition, it was to create national scale, access to a personal current account offering, business banking and a scaled mortgage and savings franchise. This rationale is more compelling now than ever, in light of both the economic environment and the competitive landscape. The acquisition of the Bank has increased our market share<sup>2</sup> of mortgages to 4.2% and savings to 3.5% (2024: 3.1% and 2.7%), and creates an opportunity to build upon the 1.6% market share acquired in the personal current account segment.

Knowing how to manage your money is increasingly complex. The economy feels uncertain. Interest rates feel unpredictable. For many people, it's never felt harder to manage their family's finances, get on the property ladder or start a business.

Now, more than ever, people want a banking partner they can trust. One they know acts in their best interests - both for today and tomorrow. One they know can help their family, across the generations, through every situation that they face. One that in an increasingly digital world, is able to help them, when, where and how they choose.

Before I go into the detail of our year, I wanted to reflect on one of my personal highlights, introducing our new purpose to our almost 6,000 colleagues. I came away from that event energised by how enthused our colleagues were by what we're seeking to achieve. I'm proud of how far we've already come on our journey and am excited for the future.

## Delivering for borrowers

Mortgage markets remained competitive, with thin margins. We prioritised retention, achieving rates of 76% in the Society and 65% in the Bank. We continued to support first-time buyers, helping over 9,600 families and

<sup>1</sup>. Excluding items that are one off in nature relating to the purchase and integration of the Bank. See page 27 for further details.  
<sup>2</sup>. Source: Bank of England. Market data as at 31 December 2025 (31 December 2024).

# Chief Executive's review continued

individuals onto the property ladder. We launched new propositions across the Group including limited company buy-to-let, broadening our reach and meeting evolving member and customer needs.

Despite a relatively flat housing market, the Group delivered disciplined growth in mortgage balances, supported by strong operational performance. Our new mortgage origination platform at the Society has reduced average time to offer to just eight days, improving efficiency and customer experience. We are recognised by brokers and consumers for our brilliant service.

## Delivering value to savers

Despite falling rates, we sustained our commitment to member value, paying a £398m premium above market averages<sup>1</sup>.

Our savings strategy is built on trust and transparency. At the Society, we aim to offer competitive rates consistently, rather than chasing headlines. This approach reflects our long-term perspective and our belief that mutuality means doing the right thing for members, not just today but for the future.

## Everyday Banking for Individuals and Businesses

The acquisition enables the Group to offer a full-service banking proposition. Over 76,000 new current accounts were opened at the Bank this year, supported by popular switch incentives. Business banking is a strategic priority, with 16,000 new business current accounts opened and plans to expand relationship management capability.

We see significant potential in everyday banking. Current accounts are not just a product; they are a gateway to deeper relationships with customers. They allow us to serve more of their needs, provide greater convenience and strengthen our funding base. Business banking offers similar opportunities, enabling us to support purpose-focused organisations from sole traders to credit unions to housing associations - organisations that share our values and contribute to local economies.

## Powering our long-term future: bringing together Coventry Building Society and The Co-operative Bank

Coventry Building Society and The Co-operative Bank coming together isn't just another merger in the banking sector. We haven't done this to make shareholders richer or to be a bigger bank on the high street. It's to give members, customers and communities something meaningfully different - a true alternative, acting in their best interests.

In our first year of the integration, we've made significant progress and hit the milestones we set ourselves earlier this year. I'm incredibly proud of and grateful to everyone that has helped make this happen.

The Group Executive Team has been established and strengthened with new appointments during the year. As a team, we have identified a number of long-term strategic business priorities that will set us up for success now and in the future, focused on bringing together the best of our two organisations.

We've made good progress on the path to becoming a simpler and more efficient business. We've created joint centres of excellence across Group functions to provide the best possible service to colleagues, members and customers. In doing so, we have had to make some difficult decisions and earlier this year announced changes which resulted in a reduction of a number of roles across the Group. We've worked closely with all affected colleagues to make sure that they received the right support.

## Already delivering for members and customers

A key area of focus for our integration, was to ensure that our members and customers saw an immediate benefit, not only in terms of value but also service. Our philosophy on customer service remains the same: digital first, human-always. That means we need to support individuals, when, where and how they choose to bank with us.

That's why we've invested over £6 million in all of our customer service channels this year, ensuring a great experience through whichever channels and brand people interact with us.

We continue to offer excellent customer service with call waiting times<sup>2</sup> at the Society of 79 seconds and now at under five minutes, the Bank service levels are the best in six years. The Society Net Promoter Score<sup>3</sup> (NPS) remains at an exceptionally high level at +75 (2024: +79) and we have started to measure NPS at the Bank to track service and the results are already tracking positively.

We've maintained our commitment to our branch network, committing to a multi-million pound investment to refurbish the entire Bank network by 2027. I was delighted that in November, we were able to refurbish and re-launch Hanley, which also now serves as our first ever dual-service branch, where both Society and Bank members and customers can be served in one location. In 2026, we're going to continue to trial this approach across more of our network.

We've invested in a new service for members and customers during the year, now starting to offer video appointments through our branch network. During busy times the branch network also supports the contact centres and in the Society, 30% of all telephone calls are taken in branch.

**+75 Society  
Net  
Promoter  
Score**

**Our measure of  
excellent service<sup>3</sup>**



1. Based on the Society's average month end savings rate compared to the CACI Ltd's Current Account and Savings Database rest of market average rate for savings accounts, excluding current accounts and offset savings, for the 12 months of the year.

2. Based on average call waiting times between 1 January 2025 and 31 December 2025.

3. Net Promoter Score (NPS) is a measure of customer advocacy that ranges between -100 and +100, which represents how likely a customer is to recommend our products and services.

# Chief Executive's review continued

Through our efforts in 2025, customers and members are experiencing better service, wherever and whenever they want to engage with us.

## Investment in our technology and services

To consistently deliver for our customers we have invested in cyber-security and operational resilience, building on the strong safeguards already in place. At a time when cyber risk is high on everyone's agenda given recent events impacting well known organisations, these enhancements ensure we continue to protect our members' and customers' data and maintain reliable, resilient services, even in the face of disruption.

We continue to invest in our digital capability in the Group and have started a major investment in the digital capability for personal and business current account customers.

Following the refreshing of our strategy in 2025, we've begun the process of planning a multi year investment programme across products and services. This will enable the Group to remain agile and better react to future customer needs and requirements.

## Taking our people with us - creating a combined culture

Bringing together two organisations can be challenging, especially two organisations that are steeped in such history and legacy. At Coventry Building Society we've always had strong colleague engagement, and I was determined that this would continue during this new era. I'm delighted that in our first year of integration we've maintained this, especially during a period of significant change for our people, while bringing our colleagues from The Co-operative Bank on that journey as well.

We've worked with great dedication and focus to define and embed a target culture that truly reflects who we are and our ambitions for the future. We created this together with our colleagues: more than 4,000 voices from our colleague survey and 120 participants in in-person sessions helped shape the outcome, ensuring it reflects perspectives across the Group. We care, we are ambitious, we take ownership: this epitomises the organisation we will be.

We remain focused on strengthening diversity, inclusion and colleague wellbeing across the Group. There is always more we can do, but we've continued to make good progress - from expanding our colleague networks to more than 15 areas of focus and continuing to grow our Ethnicity Career Development Programme, bringing together the best of both organisations' cultures through colleague voices. These steps reflect our commitment to building an organisation where everyone feels supported, represented and able to succeed.

## Recognised as a Great Place to Work

I'm also delighted that we've once again been recognised in the Great Place to Work Trust Index.

Since 2021, The Society has used Great Place to Work to help us measure and improve our culture and colleague engagement. In 2025, we were able to complete this on a Group basis, ensuring the engagement of colleagues across the full organisation can be understood. Over 80%

of our Group colleagues contributed to the survey and we achieved a score of 76%. Areas of priority for our colleagues remain around diversity & inclusion and further progress on gender and ethnicity representation in senior roles; all things we are working hard on.

I was particularly encouraged by several of the survey results: 95% of colleagues believe good customer outcomes are important to the organisation, 90% believe their work contributes to our purpose and 89% feel positive about how we contribute to our wider communities.

All three of these things are crucial to what makes us meaningfully different as an organisation to bank with and work for - and I'm delighted our colleagues feel this so strongly.

## Community and responsible business

As a purpose-driven business, we're committed to doing the right thing for our customers, communities and the environment. The power of our combined Group has strengthened our ability to make a meaningful difference in the communities we operate in, both at a national and local level.

## Community and powering change

In 2025, we have invested £6 million<sup>1</sup> (2024: £5 million) over the year in supporting our communities, including working alongside national and local charity partners to tackle youth homelessness. We've continued to deepen our partnership with Centrepoint. Our funding towards tackling youth homelessness has been maintained at £2 million, with a £1 million contribution in the year towards affordable housing for young people in Coventry, building on last year's £1 million donation in Manchester.

Our support to Centrepoint has also included lending our voice to the Make Work Pay campaign, which sought to remove the benefits penalty for young working people living in supported accommodation, we were delighted that the Government addressed this in the last Budget.

Meanwhile, our colleagues contributed thousands of volunteering hours, reinforcing our commitment to local impact.

Through our partnership with Refuge, we have supported the national helpline and also rolled out training to colleagues on how to identify potential economic abuse and best support victims.

Supporting those in our communities who are isolated and vulnerable is something we take seriously - as well as hosting our own befriending events in branches and at the Coventry Building Society Arena, we also work with partners to create spaces to bring people together.

# £6m

**Total community investment<sup>1</sup>**  
(2024: £5m)



1. Total community investment made by the Group has been determined in line with the Business for Societal Impact (B4SI) framework.

# Chief Executive's review continued

The Friends of the Earth Post Code Gardener project supporting community-led gardening is a perfect example of this, bringing people together whilst bringing nature back to urban environments.

## A responsible business

Our environmental ambitions continue to be important to us. The Society remains proud to be a certified B Corp, and we are making good progress towards our climate targets.

Our Group remains carbon neutral for our operations, and we are committed to reaching net zero for our Scope 1 and 2 emissions by 2030. To get there, we are reducing our own operational carbon footprint every year by improving our buildings, cutting energy use, purchasing green energy for all our operations and travelling more responsibly.

## Looking ahead

2026 will be another pivotal year for the Group as we work to finalise the integration. Bank customers will see refreshed branches and enhanced digital journeys. Our ambition is clear: to create a modern mutual banking Group that combines scale with purpose.

We will continue to invest in technology, product innovation, and deepen our social and environmental impact. We will remain focused on what matters most: delivering great value, outstanding service and security for our members and customers.

With a refreshed strategy and a clear set of member and customer missions, we are looking at how technology can help enable the delivery of the strategy.

For over 140 years we've acted in the mutual interest of our members and worked hard to do right by the people who trust us with their money. As I look back on the year, I am struck by the resilience, creativity and commitment of our colleagues. I have seen hard work, dedication and engagement across the organisation as we have navigated change together. Our people have demonstrated what makes this organisation special. And I am equally grateful to our members and customers for their trust and loyalty.

Together, we are building something meaningfully different - and it's a powerful signal that values-led, member-owned banking can thrive at scale. I could not be more excited about the journey ahead.

Our new purpose, 'We power good with every pound', drives everything we do and every decision we make for our colleagues, our members and our customers.



Thank you to all my colleagues for their hard work and commitment as we continue on this journey, and of course our members and customers for their continued loyalty and trust.

## Stephen Hughes

Chief Executive  
26 February 2026

# £801m

Reported profit before tax  
(2024: £323m)

£374m on an underlying<sup>1</sup> basis



<sup>1</sup>Excluding items that are one off in nature relating to the purchase and integration of the Bank. See page 27 for further details.

# Welcoming The Co-operative Bank to Coventry Building Society

On 1 January 2025, the Society acquired the entire issued share capital of The Co-operative Bank Holdings p.l.c. (the ultimate holding company of The Co-operative Bank p.l.c.).

## Strategic rationale

The combination of the Society and the Bank brings together a purpose-led mutual and the original ethical bank. These common values bring true challenge to the UK financial services sector. It enables the deepening of the enlarged Group's existing presence in the mortgage and savings markets as well as extending the Group's proposition to the personal current account and business banking markets. The acquisition enables the Society to leverage its financial scale and a diversified funding base to continue to offer strong propositions and outstanding service to members and customers.

## Financial considerations

As presented on page 133 and below, the combined organisation has a balance sheet size of approximately £90 billion across a range of product offerings.

A gain on acquisition of £584 million arising from an acquired net asset value being well in excess of the consideration paid was recognised on completion. Further information on the day one accounting impacts of bringing the two organisations together are presented in note 38 to the accounts. The updated pro-forma combined Group CET1 ratio of 19.1% and leverage ratio of 4.4% at acquisition were comfortably above applicable regulatory minimums.

## Integration consideration

Bringing together the Society and Bank and creating a meaningfully different, true alternative Group in the banking sector will power our long-term future. In our first year of the integration, we have made significant progress and delivered against our commitments that we set ourselves at the beginning of 2025.

We established our group executive team, agreed our strategic business priorities, brought together the best of our two organisations, created centres of excellence across group functions, implemented technology solutions to operate across shared networks and agreed alignment of colleague terms and conditions. The shape of our integration plan for the next 12 months is clear and we expect to be materially complete by the end of 2026.

## The Group

**Lending** The combined Group's lending portfolios remains focused on low risk residential secured retail portfolios across the UK.

**Funding** 86% of the Group's overall funding comes from retail, business and commercial customers as below. The remainder comes from a range of wholesale funding.



**a combined heritage of almost 300 years**

**over 4.5 million members and customers**

**over 5,800 employees and 114 branches**

# Our strategy

Free from shareholders, and guided by our ethics, we are creating a meaningfully different organisation to redefine banking.

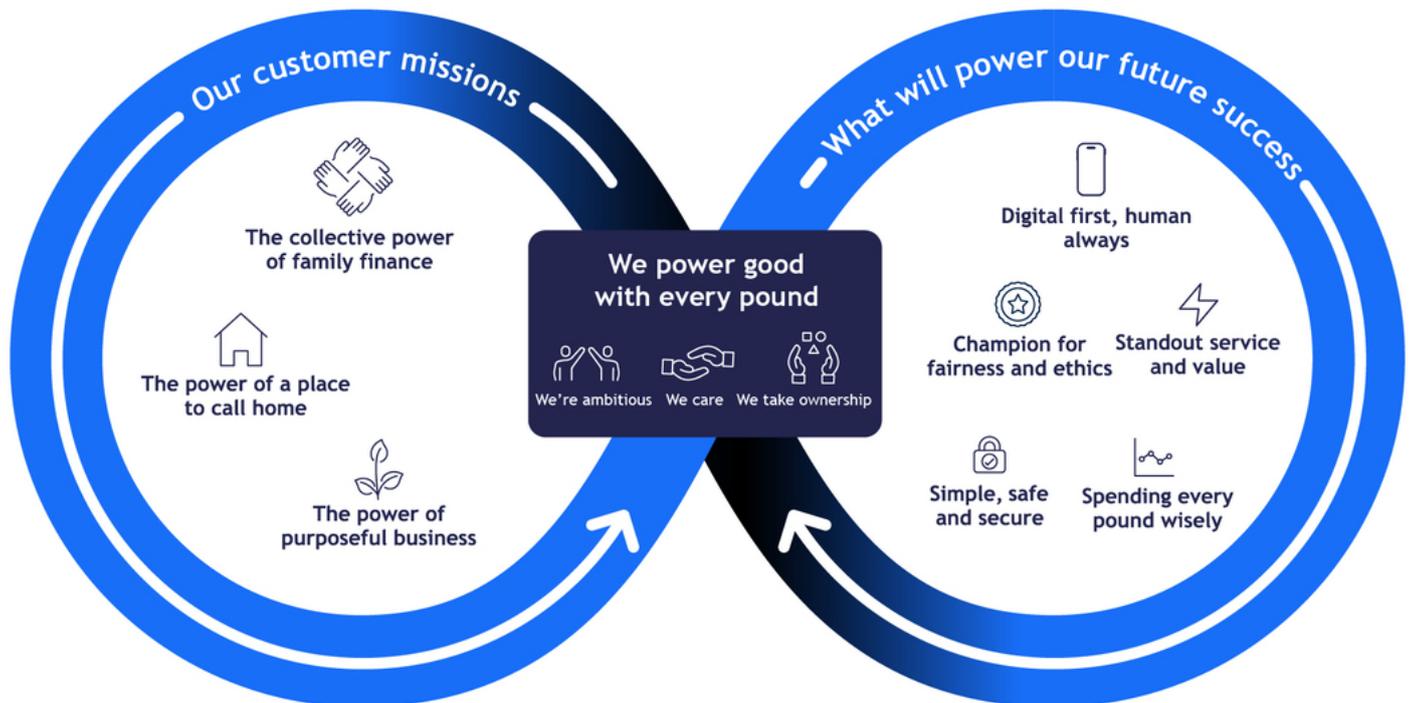
We continue to operate as Coventry Building Society and The Co-operative Bank with separate banking licences and FSCS protection for depositors.

Through 2025, we reviewed our strategy, reflecting the activities of the enlarged Group and building on the heritage of both organisations. This refreshed group strategy has been developed to shape an exciting future for the combined organisation with the ambition to offer something meaningfully different to families, businesses and individuals across the country. We review our strategic plan each year to ensure it continues to meet the evolving expectations of our members, customers and other stakeholders and the changes to the markets in which we operate.

Our ownership model enables us to provide a mutual alternative to current and future members and customers looking for their everyday banking, savings and lending needs.

During 2026, we expect to start the process to transfer the assets and liabilities<sup>1</sup> of the Bank into the Society. Completion is currently anticipated in 2027, but we will update on our progress when we publish our Group interim results.

Our refreshed strategy is set out below.



<sup>1</sup>.Through a proposed Part VII business banking transfer under the Financial Services and Markets Act 2000, subject to internal governance steps and the necessary legal and regulatory approvals.

# Our strategy continued

## Our Purpose

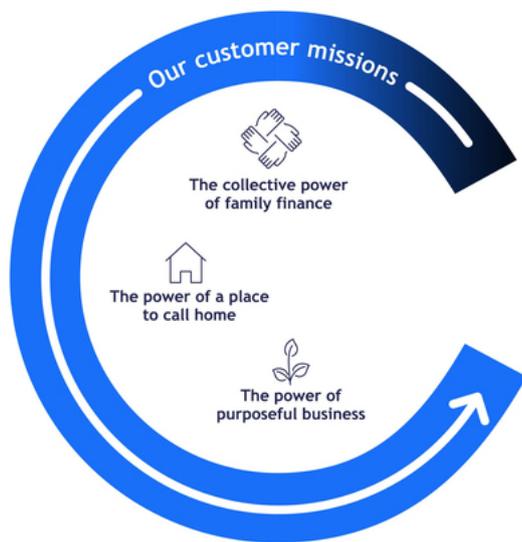
### We power good with every pound

Every pound holds the power to create positive change. Free from shareholders, and guided by our ethics, we're creating a meaningfully different organisation that redefines banking.

## Our customer strategy and business model

As a customer owned mutual, the value we create is used for the benefit of both our current and future members who are individuals with a Coventry branded savings or mortgage account.

We are guided by a core belief that every pound holds the power to create positive change - whether that's the power to live in a place you can call home, the power to manage your money in a way that's right for you and your family, or the power for purposeful businesses and partners to make a positive impact on the communities in which they operate.



We have aligned our businesses to focus on these **three customer missions**:

**The collective power of family finance** - creating solutions that allow people to manage your money in a way that is right for them and their families and to save for their futures in a safe and ethical way.

**The power of a place to call home** - building on our position as the 7th largest provider of home loans to the UK market to both owner occupied borrowers and lending to the private rental sector.

**The power of purposeful business** - providing ethical banking solutions for purposeful businesses, charities, other mutuals and similar organisations whose values are aligned with own.

The acquisition of The Co-operative Bank on 1 January 2025 has broadened our product range to include current accounts, credit cards and business banking services primarily to small and medium sized enterprises. These products will be available and offered to more customers across the Group and membership of the Society will also be extended to individual qualifying customers over time.

In total, over 86% of our funding comes from our members and customers and over 98% of our lending is secured on residential property. The interest paid by our borrowers covers the cost of running the Society and provides the interest we pay to our savers and investors, also covering any impairment of loans and generating the capital necessary to grow and remain safe and secure through economic downturns.

## Our culture and values

Defining a strong culture preserving the heritage of both organisations was a key part of the strategy work in 2025 and involved colleagues from all areas and levels of seniority. This has led to three values that show how we expect colleagues to behave and interact with members, customers, each other and with other stakeholders.

**We Care.** We are ethical, honest and brave, standing up for what's right, and staying human.

**We're ambitious.** We are empowered and we move with pace, always with members and customers in mind.

**We take ownership.** We are accountable, we focus on what matters, and we don't walk past problems.

# Our strategy continued

## Powering our future success

Our members don't just use us to meet their mortgage and savings needs, they own us. Unlike a shareholder owned bank, we don't have to pay shareholder dividends or manage our share price expectations. We just retain sufficient profits to remain financially safe and secure for both current and future generations of customers. Our business and operating model will continue to evolve but we have identified the following attributes that will continue to power our future success:

### Digital first, human always

Our "digital first, human always" approach is fundamental to our future operating model and our commitment to UK based customer services from our branches and contact centres. The Group continues to invest significantly in its digital channels and making it simpler and easier for customers who wish to give us their instructions to digitally do so. Human service and support, particularly for those with complex or additional needs, is just as important and we will continue to offer that option via our UK branch network and contact centres. We expect that future developments around Artificial Intelligence can also improve our quality and speed of service, enabling colleagues to focus on more complex customer needs.

We will also continue to invest in our customer ecosystem to better meet the needs of the combined customers of the Group.

### Standout member service and value

We will always prioritise the right outcome for our customers and colleagues and continue to offer human service in our branches and contact centres. We have already improved service for The Co-operative Bank customers and started a long term investment programme to improve capability across products and channels. Demonstrated by our Bank branch upgrade plans.

We aim to deliver standout value through our propositions and better pricing, long term value and fees compared to the UK average.

### Champion for fairness and ethics

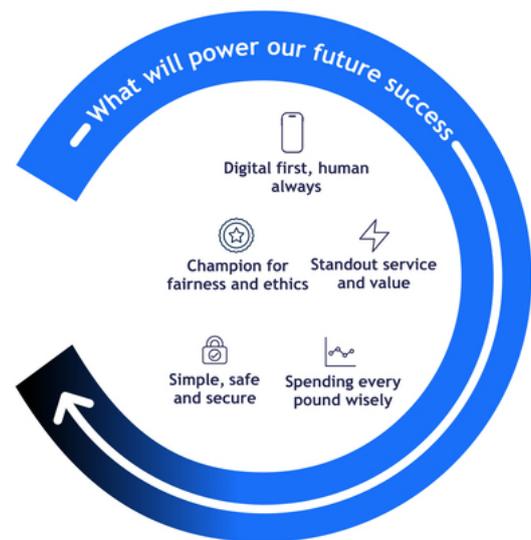
The Group is committed to driving the highest standards of fairness and ethics in the treatment of customers and other stakeholders including its impact on the environment and wider society. We are committed to be net zero for our own operations by 2030 and for our downstream lending activities and all our scope 3 indirect emissions by 2050. The Co-operative Bank remains committed to its customer-led ethical policy and the values of the Co-operative movement.

### Spending every pound wisely

The UK banking and financial services market is highly competitive and requires discipline over costs and investment. This operating environment is even more challenging without the scale advantage that larger organisations benefit from. We will operate efficiently, keeping our costs low and spending money wisely in line with our mutual ethos.

### Simple, safe and secure

As we carefully integrate The Co-operative Bank within our Group, our primary objective remains to ensure that customer's money and the Group's operations stays safe and secure. We continue to invest heavily in fraud and cyber protection and financial education for our customers, striving to keep our customer journeys and communications simple and understandable as a key driver of good customer outcomes and model efficiency.



# Our stakeholders

As directors, we work to promote the success of the Group for the benefit of all of its stakeholders. In doing so, we voluntarily comply with Section 172 of the Companies Act 2006. More information on who our stakeholders are and how we, as a Group, engage with them is set out below and in the Governance section.

Stakeholder group	Customers	Colleagues	Suppliers
	This group includes our members, other customers, and mortgage brokers.	This group includes all of the Group's employees.	This group includes third-party organisations and contractors who provide goods and services to us.
Stakeholder needs - what do they expect from us?	<ul style="list-style-type: none"> <li>• Great value products.</li> <li>• Excellent human service through whatever channel they use to interact with us.</li> <li>• A business model that is resilient, so we are safe and secure over the long term.</li> <li>• High availability of IT systems with data kept secure.</li> <li>• Simple and clear communications.</li> </ul>	<ul style="list-style-type: none"> <li>• An inclusive and inspiring workplace for everyone.</li> <li>• A great place to build and develop their careers.</li> <li>• An approach to reward that is fair and consistent.</li> <li>• Support for career development and training.</li> <li>• A culture that promotes wellbeing, supported by straightforward policies and processes.</li> </ul>	<ul style="list-style-type: none"> <li>• To do business with us on terms that are commercially beneficial.</li> <li>• To be paid promptly.</li> <li>• To work with consistent and understandable procurement processes (and proportionate for local SME suppliers).</li> <li>• Decisions that are made in a consistent, ethical and fair way.</li> </ul>
How do we engage with them?	<ul style="list-style-type: none"> <li>• Our Member Panel, an online forum of 13,000 members.</li> <li>• Regular surveys and research conducted with customers, prospects and intermediaries.</li> <li>• Online Member Talkback sessions and research groups to hear first-hand member and customer thoughts on pre-defined subjects.</li> <li>• Complaints monitoring.</li> <li>• Our AGM, where members vote on key matters to the Society and interact with the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Employee forums and an all-colleague strategy unveiling event.</li> <li>• Annual Great Place to Work survey and quarterly pulse surveys.</li> <li>• Structured meetings with the Chief Executive and other executives.</li> <li>• Online internal communications tools and networks.</li> <li>• Through our recognised union, Unite.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular governance meetings with key suppliers. Suppliers are provided with feedback on sourcing activities they are involved in, including debriefing unsuccessful suppliers.</li> <li>• Supplier awards, where all suppliers are invited to self-nominate.</li> <li>• Annual supplier surveys to gain an understanding of the views of our suppliers.</li> <li>• Supplier strategy events.</li> </ul>
What's been important for them in 2025?	<ul style="list-style-type: none"> <li>• Products that reward loyalty and offer good long-term value.</li> <li>• The ability to access our online services in an easier way whilst maintaining security standards.</li> <li>• Maintaining a consistent presence in the mortgage market.</li> <li>• Less paper and a mobile savings app.</li> </ul>	<ul style="list-style-type: none"> <li>• Our remuneration strategy and focus on financial wellbeing.</li> <li>• Creating an inclusive workplace and progress against published diversity and inclusion ambitions.</li> <li>• Maintaining positive wellbeing, including mental health support.</li> <li>• Improving opportunities for career development.</li> <li>• Bringing together the Society and Bank colleagues under one Group structure.</li> </ul>	<ul style="list-style-type: none"> <li>• Understanding more about our strategy.</li> <li>• Prompt payment.</li> <li>• Finding out about opportunities that might be available to local suppliers.</li> <li>• Simplifying relationships across the Group.</li> </ul>
Our response and key decisions taken by the Board	<ul style="list-style-type: none"> <li>• Oversaw the launch of buy to let mortgages for limited companies.</li> <li>• Oversaw the introduction of same day payments.</li> <li>• Approved investment in mortgage broker capabilities.</li> <li>• Considered the Group's performance against the four Consumer Duty outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>• The Board reviewed the results of the Great Place to Work survey and approved the annual People Strategy, including a review of diversity and inclusion initiatives and progress against key targets.</li> <li>• The Board received updates on the status of the integration programme following the acquisition of the Bank at the start of the year.</li> </ul>	<ul style="list-style-type: none"> <li>• The Board received updates throughout the year on how suppliers were being reviewed and managed as part of integration and strategic planning activity.</li> </ul>

# Our stakeholders continued

Stakeholder group	Investors	Communities	Environment
	This group includes wholesale investors and ratings agencies.	This group includes those supporting the communities we serve.	The Group's direct and indirect impact on the world around us.
<b>What do they expect from us?</b>	<ul style="list-style-type: none"> <li>A stable and sustainable performance, with resilient capital and liquidity levels.</li> <li>An organisation that is focused on the mortgage, savings, current account and business banking markets, that is well governed and manages risks effectively.</li> <li>Clear disclosures to enable informed investment decisions to be made.</li> <li>Focus on environmental, social and governance impacts.</li> </ul>	<ul style="list-style-type: none"> <li>Support (financial and in kind) and to benefit from our skills and knowledge.</li> <li>Help to raise awareness of key issues and signposting those in need.</li> <li>A community strategy that makes clear what we support and how this can be accessed.</li> <li>Funding commitment across the medium term.</li> </ul>	<ul style="list-style-type: none"> <li>To contribute towards tackling climate change.</li> <li>Measurement and reporting of our emissions.</li> <li>The reduction of our own emissions and broader environmental impacts.</li> <li>Helping customers make the transition to their homes being more energy efficient.</li> </ul>
<b>How do we engage with them?</b>	<ul style="list-style-type: none"> <li>A programme of investor and analyst meetings.</li> <li>Public updates on our performance or other material matters for disclosure.</li> <li>Information about our funding programmes and the Annual Report &amp; Accounts published on our website.</li> </ul>	<ul style="list-style-type: none"> <li>Engaging regularly with our strategic partnerships, charities, public sector and schools.</li> <li>Key points of contact established and maintained in each of the organisations we work with.</li> <li>Through a long-term partnership with Centrepoint.</li> </ul>	<ul style="list-style-type: none"> <li>Working with a range of external bodies and suppliers to monitor, manage and reduce our environmental impacts.</li> <li>Working with third parties for assurance to conform with ISO 14064 and ISO 20400 standards.</li> <li>Engaging with customers to help make energy-saving improvements to their home.</li> <li>Working with suppliers to understand actual emissions produced when providing goods or services to the Group.</li> </ul>
<b>What's been important for them in 2025?</b>	<ul style="list-style-type: none"> <li>Updates on integration activity.</li> <li>The Group's roadmap to achieving Net Zero ambitions.</li> <li>Product propositions aimed at helping members improve the energy efficiency of their homes.</li> <li>Our plans for a green or social bond.</li> </ul>	<ul style="list-style-type: none"> <li>Building successful partnerships which bring value to community organisations.</li> <li>Certainty of funding as well as responding to changing external events, by providing additional funding to support services.</li> <li>Creating access to opportunities and raising aspirations.</li> </ul>	<ul style="list-style-type: none"> <li>The Group's Net Zero Plan, outlining our progress towards improving our impact on the environment.</li> <li>Aligning our environmental and social initiatives to further support our local communities.</li> </ul>
<b>Our response and key decisions taken by the Board</b>	<ul style="list-style-type: none"> <li>Feedback used to develop the Annual Report and Sustainability Report to ensure the emerging needs of investors are met.</li> <li>The Board discussed the feedback from rating agencies and their assessment of our performance.</li> </ul>	<ul style="list-style-type: none"> <li>£6 million in community investment across the Group.</li> <li>The Board considered our ongoing investment in the Group's community strategy.</li> <li>Received updates on a campaign of activities to support our corporate charity, Centrepoint.</li> </ul>	<ul style="list-style-type: none"> <li>The Board considered the impact of climate change on both the Group, its customers and wider stakeholders in line with the Net Zero Plan.</li> <li>The Board considered the Group's ESG performance against agreed ESG ambitions and approved the content for the annual Sustainability Report.</li> </ul>

# Building a sustainable Group

Together, with over 300 years of combined experience, our two organisations are already on a path to creating something truly distinctive in financial services. The blueprints are clear - with the Society's B Corp status and the Bank's unique, customer-led Ethical Policy guiding the way - the Group's sustainability agenda promises to go from strength to strength.

Whilst we have made good progress on integrating the Bank, our new long-term Group sustainability ambitions and targets will be established in the first half of 2026.

## Our achievements in 2025

<p><b>B Corp</b></p> <p>Society retained certified B Corp status</p>	<p>Over <b>19,000</b> hours of colleague volunteering across the Group</p>	<p><b>76%</b> Employee engagement across the Group</p>
<p><b>Carbon neutral</b></p> <p>since 2021 for our own operations across the Group</p>	<p>Thriving Group charitable partnership with <b>Centrepoint</b></p>	<p><b>ISO 14064-1</b> Society emission certification retained</p>

### We are signatories of:

UN Global Compact, UN Sustainable Development Goals, UN Principles for Responsible Banking, Task Force for Climate-related Financial Disclosures, Bankers for Net Zero, UK Sustainable Investment and Finance Association, Race at Work Charter, Women in Finance Charter.

### As a Society, we have been recognised:

**Certified B Corp** - A growing global community of businesses that demonstrate their commitment to people and the planet, which spans 105 countries and over 160 industries. Becoming B Corp certified is the beginning of a journey of continuous improvement and involves the organisation making a commitment to use their business as a force for good and to be the change they want to see in the world.

**Fair Tax Mark** - Fair Tax is at the heart of a fair society, a strong economy and a functioning democracy. Its aim is to help those people who believe in a fair society and playing by the rules to say so publicly.

**ISO 14064-1 certification** - An international standard that quantifies the reporting of greenhouse gas (GHG) emissions and the verification.

### External associations include:

				
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# Building a sustainable Group continued

## Our sustainability strategy

Our ambition is to offer something meaningfully different to families, businesses and individuals in the UK. Bringing together the best of the Coventry Building Society and The Co-operative Bank to better meet peoples' needs. Building a sustainable business is critical to this ambition and the highlights of our progress in 2025 is explained on the following pages.

Sustainability is at the core of the Group's strategy, aligns with our updated purpose and is embedded within the Group's Strategic Plan. This is approved by our Board annually and guides decision making over a five year horizon. More detailed decision making on sustainability, including identifying specific actions and accountabilities, is considered by the Board twice a year.

The Plan's objective of the Group being a 'people and purpose-led mutual' and this being made a reality, is achieved by the strategic goals as outlined on page 16:

- Having a purpose-led approach that goes beyond minimum regulatory requirements and champions fair and ethical outcomes for customers, their communities and for the environment.
- Creating an inclusive and inspiring workplace for everyone.

The term sustainability covers all three areas of Environmental, Social and Governance (ESG) and the Group considers them as follows:

<b>Environmental</b>	We believe that climate change is a critical issue for the UK and the wider world. We are committed to making a positive contribution to the challenge of climate change by reducing the environmental impact of our business activities. At the heart of this is progressing our decarbonisation strategy, which aims to deliver on ambitious Net Zero targets.
<b>Social</b>	As a people and purpose-led organisation, we aim to meet the needs of multiple stakeholders. For members and customers, offering long-term value, good customer outcomes and superior customer service. For colleagues, providing work that supports, engages and enables them to unlock their full potential. And we support local communities and national causes, creating opportunities for the most disadvantaged in society.
<b>Governance</b>	Maintaining the highest standards of governance is integral to the successful delivery of the Group's sustainability strategy. Our governance framework ensures that the Board is effective in making decisions and maintaining oversight, whilst keeping to our well-established purpose and values.

## The Group's commitment to sustainability

Since 2021, the Group has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption.

Both the Society and the Bank are signatories of the UN Principles for Responsible Banking and have identified the following four of the 17 UN Sustainable Development Goals (UN SDGs) to prioritise as the areas of focus.

- UN SDG 4: Quality education;
- UN SDG 8: Decent work and economic growth;
- UN SDG 11: Sustainable cities and communities; and
- UN SDG 13: Climate Action

As the Group comes together from two standalone organisations, 2025 has been a year of review in preparation for re-establishing the Group ambitions and targets ready for 2026. These measures will help to define, measure and report on our broader sustainability activities.

For each of these priority goals, our achievements in the year are set out on the following page.

More information on the Group's approach is provided on our website at [www.thecoventry.co.uk](http://www.thecoventry.co.uk) and in our annual Sustainability Report.

### SUSTAINABLE DEVELOPMENT GOALS



# Building a sustainable Group continued

## Progress with our sustainability priority goal

### Sustainable Development Goal - Quality education

#### Why we make a difference:

We are a leading local employer, wanting to provide employment opportunities for our local communities. We are committed to enhancing the skills of our employees. We have the resources to make a positive impact on education in Coventry and Manchester.

#### In 2025, we delivered:

376 apprentices since 2021.  
39% of senior managers recruited internally.  
Over 16,000 children and young people supported in 2025.



### Sustainable Development Goal - Sustainable cities and communities

#### Why we make a difference:

We provide financing for housing and can help first time buyers onto the housing ladder. We can help homeowners with the transition to Net Zero. Our community programme focuses on access to housing.

#### In 2025, we delivered:

Over 5,000 people supported through Better Foundations.  
We supported first time buyers to purchase over 9,600 homes.



### Sustainable Development Goal - Climate action

#### Why we make a difference:

Our own operations emit GHG emissions. Our borrowing members and customers will need help to deal with the transition to Net Zero.

#### In 2025, we delivered:

Reduced our Scope 1 and 2 emissions by 62% (compared to 2021).  
6,000 trees planted within our local communities.  
Zero waste to landfill.



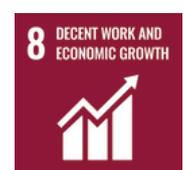
### Sustainable Development Goal - Decent work and economic growth

#### Why we make a difference:

We provide career opportunities at differing levels of seniority. We spend around £471 million annually with our supply chain, enabling us to drive positive changes with our suppliers. We can offer underrepresented groups career pathways.

#### In 2025, we delivered:

45% of roles were filled by internal candidates in the Society, and 35% within the Bank. Sustainability features in supplier due diligence questionnaires and request for proposal documents. 35% of all senior manager and above roles held by women in the Society, and 43% within the Bank. 16% of manager and above roles held by colleagues from ethnic minority groups in the Society, and 7% within the Bank.



# Building a sustainable Group continued

## Doing the right thing

Part of creating a more sustainable society is continuing to apply high standards of corporate governance. Our key activities and policies in this area are set out below.

Information on how the Group performed across a range of Environmental, Social and Governance activities in 2025 is included in our Sustainability Report, which will be available on our website at [www.thecoventry.co.uk](http://www.thecoventry.co.uk).

### Climate

More information on our activity to meet our environmental targets is included in the 'Our approach to climate change' section of this report.

### Diversity and inclusion

Our ambition is to be an inclusive, inspiring workplace that is truly representative of our member and customer base. This ambition guides our long-term approach to diversity and inclusion (D&I) and reflects our belief that different perspectives and experiences help us make better decisions and better serve our communities. D&I continues to have strong senior-level sponsorship, with the Group's General Counsel as executive sponsor. Our colleague networks also play a vital role in shaping our approach by raising awareness, providing insight and offering a collective voice to senior leaders, the Executive team and the Board. We will continue to build momentum through our newly formed Group D&I ambitions and supporting roadmap, which set out clear, practical actions to strengthen representation, deepen colleagues' sense of inclusion and belonging, and enhance transparency. This includes improving embedding our colleague networks across the Group, strengthening leadership capability, refining talent processes and continuing targeted development programmes to support underrepresented groups.

### Ethical behaviour

Our belief in putting our members and customers first is deeply embedded in the organisation and brings with it a commitment to the highest possible standards of ethical behaviour and conduct. To ensure we uphold these standards, we use a number of resources, campaigns and policies relating to topics such as: Code of Conduct, Money Laundering, Bribery and Corruption, Personal Responsibilities and Fraud Awareness. All our people complete regular mandatory training and tests in each of these areas. Our Whistleblowing Committee consists of members of the senior leadership team who are responsible for reviewing, investigating, monitoring and reporting any incidences of whistleblowing. This committee reports to our Whistleblowers' Champion, Iraj Amiri, one of our non-executive directors, who has overall responsibility for overseeing the integrity, independence and effectiveness of the Group's whistleblowing policies and procedures.

### Tax strategy

We conduct all of our business activities in the UK and are fully committed to meeting all of our UK tax responsibilities. The Society has also been awarded the Fair Tax Mark. More information is included in our tax strategy which is published at [www.thecoventry.co.uk](http://www.thecoventry.co.uk).

### Privacy and data security

Our operations are based in the UK, and we undertake the requirements set out by our regulators, the Financial Conduct Authority and Prudential Regulation Authority, alongside relevant data security and privacy legislation. We disclose information to HMRC and other government bodies when we are required or permitted to do so. We partner with experienced cyber security firms to help manage our risks and strengthen our capability. All employees undertake regular mandatory data protection and information security training as a minimum, and there is a wealth of experience in our data and security teams that support the business. We undertake compliance monitoring across functions on adherence to data protection legislation, and work with business areas to continually improve standards. Further information on how we use and store data is in our Privacy Notice, which can be found on our website at [www.thecoventry.co.uk](http://www.thecoventry.co.uk). This all means we can provide an informative and safe service to our members and customers.

### Human trafficking and modern slavery

We have zero tolerance of slavery and human trafficking in any of our own operations or in our supply chain. Due to the nature of the Group's business, the chance that slavery or human trafficking will occur is low; however, we are not complacent on these issues. More information is in our Modern Slavery and Human Trafficking statement at [www.thecoventry.co.uk](http://www.thecoventry.co.uk).

### Anti-corruption and anti-bribery

Our values include being responsible and we expect all colleagues and individuals acting on the Group's behalf to act with integrity in all dealings relating to our business. As a result, we have no tolerance of bribery and corruption. Our anti-bribery policy reflects our internal zero tolerance approach and legal requirements. All colleagues, contractors, directors and suppliers are aware of their responsibilities in this area. Annual anti-bribery training, together with monitoring and enforcement tools, ensure compliance with our policy is continuously assessed. The Board Audit Committee receives an annual report on anti-bribery and inducements.

# Our external environment

In order to assess risks to the Group and our future performance, we consider the following key external environmental factors:

## Economic environment

UK economic growth remained subdued at 1.3% in 2025 as elevated inflation and global political events continued to weigh on consumer spending and investment confidence.

Inflation, including housing costs, remained broadly stable at 3.6% at the end of 2025 (2024: 3.5%), remaining above the Bank of England's 2% target for this measure.

Central banks continued to reduce interest rates to protect employment and growth even with inflation proving to be stubborn. The Bank of England reduced its own rate four times in 2025 to 3.75% (2024: 4.75%).

Higher inflation and interest rates continued to suppress economic activity, leading to higher unemployment, although falling interest rates contributed to a more active housing and mortgage market. Job vacancies fell below pre-pandemic levels and the unemployment rate increased to 5.2%<sup>1</sup> (2024: 4.4%). Average earnings increased by 5.3% (2024: 4.9%) driven by public sector wage settlements.

House prices increased more slowly than wages, and general inflation, rising<sup>2</sup> by 0.6% in 2025 (2024: rise of 4.7%). The number of housing market transactions rose to 1.2 million (2024: 1.1 million).

## Market environment

### Savings market

UK household deposits grew in 2025 as earnings outpaced inflation and consumers remained cautious around spending and taking on investment risk. Despite this, savings rates remained attractive and fell more slowly than bank rate, perhaps explained by volatility in wholesale funding markets and the repayment of extraordinary government support to firms following the pandemic. The level of household deposits in savings and current accounts increased by £80 billion to £1.94 trillion (2024: £1.86 trillion), over £0.5 trillion higher than pre-pandemic levels. The weighted average market savings<sup>3</sup> rate decreased from 3.3% to 3.0%, while household savings balances in the UK grew by 4.3% (2024: 5.8%).

### Mortgage market

Those remortgaging in 2025, particularly those on existing five-year deals continued to experience higher interest rates at maturity, although new business rates continued to fall due to increased competition amongst firms. This improved affordability for first time buyers and home movers and contributed to both a rise in house prices and higher level of gross mortgage lending and growth in mortgages outstanding<sup>4</sup> of 3.0% (2024: 1.6%).

### Rental and buy to let market

The buy to let market remained subdued in 2025. New lending demand was impacted by uncertain rental yields and capital gains and the potential for increased costs

from the renters rights bill and environmental regulation. However, tenant demand and falling supply of homes to rent led to above inflation rent growth. More rental properties are now purchased through limited companies to take advantage of preferential tax relief, and the Society started to offer these propositions in 2025.

### Business deposits and lending market

The Group primarily offers deposit and lending to the small and medium size enterprise (SME) segment. UK Finance report that lending was 6% higher than a year ago in Q3 2025 with deposits and overdraft usage broadly stable. The net deposit buffer built up during the pandemic continues to erode as firms pay back government backed support.

## Regulatory change

Key regulatory developments in 2025 included the implementation of the Operational Resilience framework, with firms required to demonstrate the ability to operate within impact tolerances. The FCA continues to develop Consumer Duty as a framework for conduct risk supervision and promoting good customer outcomes. The Bank of England continued to engage with firms through its Resolvability Assessment Framework (RAF). The PRA provided further clarity on financial resilience through the finalisation of the Basel 3.1 standards, which are now confirmed for 1 January 2027 implementation.

## Technology

Technology continues to change the way that customers access and interact with financial services providers and is also exposing customers and the Group to new types of fraud and cyber threats. Mobile apps are now the preferred digital option for most consumers and the Group offers services in its own mobile apps. The adoption of mobile banking is expected to be permanent with a continuing reduction in the use of branches and non-digital channels. Artificial intelligence, open banking and digital currencies are all developments we expect will impact future consumer behaviour and competition.

## Climate change

Climate change and the move to Net Zero will impact the Group and its customers increasingly in the next decade, and whilst overall adoption of green technologies is growing, adoption of green finance products remains low across the UK. Clarity around regulation and the incentives available will enable firms to provide better guidance and products to new and existing borrowers.

1. Source: UK Government National Statistics.

2. Source: Nationwide house price index.

3. Based on the CACI Ltd's Current Account and Savings Database rest of market average rate for savings accounts, excluding current accounts and offset savings, for the 12 months of the year.

4. Source: Bank of England.

# Top and emerging risks

The nature of the Group's business model results in a number of unavoidable or inherent risks, namely principal risks. These risks are closely monitored by the Board through the Risk Management Framework and outlined on pages 34 and 35 of the Risk Management Report. In light of the acquisition and significant integration-related activity, the principal risks have been reviewed and amended to reflect the risk profile of the wider Group. Key changes include the elevation of strategic change risk and financial crime risk to principal risks, whilst the technology and data risk categories were set as sub categories of operational risk. In addition, the strategic risk category was removed.

The top and emerging risks outlined below provide information on the current risks, driven by the external environment, which could impact the Group and how we mitigate them.

Risk	Mitigation
<b>Economic and geopolitical environment</b>	
Global conflicts and trends towards protectionism and deglobalisation impact the UK economy and the sustainability of its national debt. This can inform UK policy decisions which impact operations, customers and suppliers and impact interest rates, housing prices and the unemployment outlook, all key drivers of Group performance. Particularly key are those policies that impact the flow and cost of retail deposits or wholesale funding or the size and performance of the UK financial services markets, in particular mortgages and personal current accounts.	Stress testing and sensitivity analysis of key assumptions in response to changes in the macroeconomic environment is regularly performed. The monthly Group Assets & Liabilities Committee (ALCO) is responsible for monitoring interest rate developments and managing the balance sheet accordingly. Regulatory horizon scanning feeds into executive risk committees and the quarterly forecasting and annual strategic planning process. The Group maintains options to moderate growth or deleverage in response to the economic outlook or policy changes.
<b>Customer expectations and market dynamics</b>	
Customers are increasingly seeking personalised and digitally enhanced experience, are less loyal and may be influenced by social media and/or Artificial Intelligence to behave differently. Still, a large section of society is less digitally literate and has more complex needs and may wish to be served in a more traditional way. New competitors are offering loss leading rates and switching incentives to attract market share. Whilst increasing choice, this may result in lower market stability and poorer consumer outcomes in the long-term.	The Group continues to focus on developing products and services that keep up with these expectations and we have increased our investment in digital servicing and distribution.  Regular reviews of the evolving needs and expectations of customers through research inform future plans around product participation, customer proposition, servicing channels and the impact of competitor behaviour on future strategy.
<b>Technology and digital innovation</b>	
As new technology (including Artificial Intelligence) develops and is adopted, there is a risk that our offering does not keep pace with competitors, reducing the Group's relative attractiveness to customers. There is also a risk that technological change delivery itself could impact service levels, growth or other performance measures.	The Group continues to invest and focus on making sure the capabilities and resilience of technology keeps pace to meet the expectations of our regulators and other stakeholders, and to ensure the resilience of our platforms and the security of members' and customers' money and data. Over the plan horizon we expect to make progress on modernising our technology and include greater use of Artificial Intelligence, cloud and digital identification to keep pace with technology change in the market and help us reduce risk in some areas such as financial crime.
<b>Cyber</b>	
The cyber security threat landscape is continually evolving, presenting a risk to both the Group and its members and customers. As part of the integration, the Group is merging the digital estates of the Society and the Bank through an integration programme. Whilst this brings additional risk, cyber security has been at the forefront of integration activity and there is an opportunity to further enhance cyber defence capabilities.	The Group continues to develop its cyber defence posture, which is aligned to the NIST Cybersecurity Framework (CSF) and its six pillars, as well as the Bank of England's requirements. The integration and harmonisation programme will mature an existing intelligence led cyber capability, ensuring defence in depth across all corporate and customer digital environments.

# Top and emerging risks continued

Risk	Mitigation
<b>Operational resilience</b>	
A severe disruptive event or crisis could impact the ability of the Group to maintain the delivery of its important business services and other support services. Such events could lead to member and customer harm, loss of funds, impact the safety and soundness of the Group, reputational damage or regulatory penalties. Severe disruptive events could include technology failure impacting key IT services, widespread data loss or corruption, a cyber security event, or the failure of a critical third party.	To reduce the likelihood and impact of severe disruption, the Group maintains operational resilience capabilities in place that spans across three centres of excellence (Business Continuity & Supplier Resilience, Incident Management & Change; and Important Business Service Oversight.) Each centre focuses on enhancing the Group's ability to prevent, adapt, respond, recover and learn from disruptive events. This activity is supported by multi layered approach to scenario stress testing and a suite of management information that spans across six resilience pillars (technology, data, cyber security, people, premises and third parties).
<b>Regulatory requirements</b>	
The Group is facing into a step up in regulatory requirements as a function of its size and systemic importance to the UK financial services sector. As a result of growth and the acquisition of The Co-operative Bank, the Group now undertakes a number of new regulated activities, increasing compliance activity and volume of regulatory change to implement. In addition, whilst the pace and sequencing of reform remain uncertain, the UK regulatory landscape is entering a period of major transition as the FCA, PRA, Bank of England and HM Treasury are all evolving towards a more connected, data and technology driven approach.	The Group is alert to this risk and continues to manage it appropriately, with a strong regulatory horizon scanning process, clear owners for regulatory change and ongoing monitoring of the Group's regulatory change implementations. The Group has no appetite for any breach and will at all times seek to achieve and maintain compliance with relevant regulatory requirements. It is acknowledged that unintentional breaches may occur, which will be remediated as and when they arise. The Group is planning for flexibility and remains vigilant to shifts in regulatory expectations.
<b>Climate change</b>	
The risks of climate change could create disruption to the Group's business as a result of transition risk as the UK economy transitions to lower carbon activities. This includes the potential impact of new regulations in our core markets or policy changes intended to support the transition to net zero.	The Group continues to focus on understanding and planning for the impacts of climate risk as presented in the Group's Sustainability Report and the Climate section of the Annual Report & Accounts. Regular horizon scanning is performed with periodic reporting to the Board Risk Committee, which includes monitoring of emerging risks.
<b>Strategic change</b>	
The risk that strategic outcomes are not successfully delivered within agreed investment targets and/ or strategic change deliverables adversely impact the business operations across the Group. This could affect the Group's growth and potentially cause reputational damage with members and customers or regulators.	The Group has a robust governance framework, with a dedicated change management office to ensure strategic change is appropriately managed, and portfolio risks are monitored and controlled. This includes deploying established programme risk and governance tools, utilising third party subject matter expertise as required. Strategic risk has been elevated to a principal risk category to support enhanced monitoring by the Board.
<b>Fraud and financial crime</b>	
The Group has greater exposure to fraud and financial crime as a result of the acquisition of The Co-operative Bank. This is due to it offering current account services to customers, which have a higher fraud and financial crime risk profile across the financial services industry.	The Group remains close to industry developments and external fraud threats, to manage fraud losses within defined internal tolerances, balanced with customer outcomes. The Group has no appetite for any breach in relevant regulatory requirements. The Group's financial crime policies, standards and supporting systems and controls help us to manage risks effectively and identify, detect and prevent fraud. The financial crime road map focuses on advancing our existing fraud prevention and detection capability. Financial crime risk has been elevated to a principal risk category to support enhanced monitoring by the Board.

# Chief Financial Officer's review



On 1 January 2025, the Society welcomed The Co-operative Bank into the Group and I'm delighted with the progress we have made during the year. The power of the acquisition has allowed the Group to deliver a statutory profit before tax of £801 million.

Despite modest UK economic growth and continuing pressure on margins, we have delivered another pleasing set of financial results. Credit quality remains high, and we are generating robust organic earnings which are strengthening our capital position following the acquisition of the Bank.

Our results are underpinned by the Group's belief in delivering long-term sustainable value and outstanding levels of service, whilst continuing to maintain a resilient balance sheet.

The acquisition has diversified our balance sheet funding further and brings the scale benefits required to support the needs of our members and customers today and into the future.

## Financial Highlights

- The underlying<sup>1</sup> Group profit before tax increased to £374 million (2024: £349 million), mainly due to the inclusion of the Bank's profits in the year.
- Statutory profit before tax increased to £801 million (2024: £323 million). The increase is due to the day one gain of £584 million, which reflects the agreed purchase consideration being over 40% below the fair value of the net assets acquired. This is partially offset by a £9 million credit impairment charge, £99 million hedge accounting charge and £67 million integration costs directly related to the acquisition. In addition, Bank profits are included for the full year.
- The performance of the Bank is in line with the Group's expectations during the first 12 months since the acquisition. Over the course of 2026, we expect the benefits of integration to be increasingly evident in the overall performance of the Group.
- The underlying<sup>1</sup> cost to income ratio increased to 65% (2024: 50%), reflecting the impact of the Bank acquisition and the cost of providing transactional current accounts. Excluding the impact of the acquisition, the Society sub-group's cost to income ratio would be 56%.
- During 2025, we have seen very competitive trading conditions, with the larger banks refocusing on the residential mortgage and fixed rate savings market. As a result of lower margins in these markets and together with the acquisition, the Group has continued to take a more measured approach to managing organic growth.
- We successfully launched our new limited company buy to let proposition in April, with over £1 billion in applications in 2025. This broadens our buy to let proposition and positions us well to build upon the already strong position we hold in the buy to let market.
- The asset quality of the Group continues to perform very well, with stable arrears and losses remaining very low and at the better end of industry benchmarks.
- Following the acquisition of the Bank, our updated pro-forma Group leverage and CET 1 ratios were 4.4% and 19.1% respectively. As a result of increased profits in the year, leverage and CET 1 respectively increased to 4.6% and 19.7%.

**Lee Raybould**

Chief Financial Officer  
26 February 2026

<sup>1</sup>.Excluding items that are one off in nature relating to the purchase and integration of the Bank. See page 27 for further details.

# Chief Financial Officer's review continued

## Income Statement

	2025			2024		
	Group underlying performance <sup>1</sup>	Items related to acquisition & integration <sup>2</sup>	Group statutory performance	Group underlying performance <sup>1</sup>	Items related to acquisition & integration <sup>2</sup>	Group statutory performance
	£m	£m	£m	£m	£m	£m
Interest receivable <sup>3</sup>	3,952	41	3,993	3,294	–	3,294
Interest payable <sup>4</sup>	(2,868)	19	(2,849)	(2,615)	–	(2,615)
<b>Net interest income</b>	<b>1,084</b>	<b>60</b>	<b>1,144</b>	<b>679</b>	<b>–</b>	<b>679</b>
Other income and charges	43	–	43	(4)	–	(4)
Losses on derivative financial instruments <sup>5</sup>	(3)	(99)	(102)	(11)	–	(11)
<b>Total income</b>	<b>1,124</b>	<b>(39)</b>	<b>1,085</b>	<b>664</b>	<b>–</b>	<b>664</b>
Administrative expenses <sup>6</sup>	(673)	(67)	(740)	(307)	(26)	(333)
Amortisation and depreciation <sup>7</sup>	(62)	(42)	(104)	(26)	–	(26)
Impairment (charge)/ release <sup>8</sup>	(15)	(9)	(24)	18	–	18
Gain on acquisition of a subsidiary <sup>9</sup>	–	584	584	–	–	–
<b>Profit before tax</b>	<b>374</b>	<b>427</b>	<b>801</b>	<b>349</b>	<b>(26)</b>	<b>323</b>
Taxation	11	–	11	(76)	–	(76)
<b>Profit for the financial year</b>	<b>385</b>	<b>427</b>	<b>812</b>	<b>273</b>	<b>(26)</b>	<b>247</b>

1. Group underlying performance includes all underlying performance of The Co-operative Bank from 1 January 2025.

2. The following footnotes detail the acquisition & integration related items and their exclusion from underlying performance.

3. Relates to the unwind of the day one fair value adjustment recognised against the acquired loans & advances to customers and certain hedged liquidity instruments.

4. Relates to the unwind of the day one fair value adjustment recognised against certain external wholesale funding issuances acquired with the Bank.

5. Represents the impact of acquiring derivative instruments but not acquiring the linked hedge accounting relationships and therefore the resulting restart of hedge relationships on the acquired derivatives.

6. Represents one off costs relating to the bringing together of people, systems and processes.

7. Represents the amortisation against the Core Deposit Intangible asset, which arose on acquisition and acceleration of amortisation and depreciation against assets impacted by integration decisions.

8. Represents the recognition of the reset Expected Credit Loss allowance against Bank acquired loans & advances to customers.

9. Represents the resulting gain calculated as the fair value of the consideration paid less the net assets acquired.

### Net interest income

Underlying (excluding the impact of acquisition related items) Group net interest income increased to £1,084 million (2024: £679 million) in the year. The overall increase is mainly due to the acquisition of the Bank, and this is partially offset by a £67 million reduction to Society sub-group net interest income. The reduction is due to the impact of base rate reductions and lower mortgage and savings margins as a result of more competitive markets.

The underlying Group net interest margin of 1.22% (2024: 1.07%) has increased because of the acquisition of the Bank. Society sub-group net interest margin reduced to 0.95% in line with expectations given the current trading conditions.

Throughout the period, the Society continued to pay above average savings rates, returning £398 million (2024: £401 million) in member value compared to market average rates<sup>1</sup>.

On a statutory basis, Group net interest income of £1,144 million (2024: £679 million) includes the unwinds of fair value adjustments recognised on acquisition.

### Other income and charges

Following the acquisition of the Bank, the Group has diversified its balance sheet and now benefits from other income streams, predominately related to fee income on residential and business current accounts and credit cards.

The £43 million of other income and charges relates largely to the Bank current account transactional fee income and related expenses and is a similar amount to 2024 when it was a standalone entity. The acquisition now enables us to offer a full-service banking proposition with over 90,000 new personal and business current accounts opened this year.

### Derivatives and hedge accounting

The Group uses derivative financial instruments to manage interest rate and currency risk arising from its fixed mortgage and savings activity and from non-sterling and fixed rate wholesale issuances.

The Group applies hedge accounting where possible and its approach continued to be effective throughout the year. The underlying loss in the year of £3 million (2024: £11 million loss) reflects the unwinding of previous gains, as the hedges mature or move towards maturity.

On acquisition, the Bank's hedge accounting programme ceases as the acquired balance sheet is measured at fair value. This has resulted in an acquisition-related charge in the year of £99 million. The Group has elected to recommence a hedge accounting programme post acquisition in order to manage the volatility of the acquired portfolio of derivative assets, which allows for a more controlled run-off.

1. Value given to members is based on the Society's average month end savings rate compared to the CACI Ltd's Current Account and Savings Database rest of market average rate for savings accounts, excluding current accounts and offset savings, for the 12 months of the year.

# Chief Financial Officer's review continued

## Management expenses

Underlying Group management expenses (excluding the impact of acquisition related items), including depreciation and amortisation, were £735 million (2024: £333 million). This includes £404 million of costs relating to the Bank. The Society sub-group's underlying costs were flat at £331 million.

The Group statutory management expenses of £740 million (2024: £333 million) include £67 million (2024: £26 million) of acquisition and integration related expenses as we continue our journey of integrating the businesses.

Our robust financial performance has underpinned our continued investment in modernising the Group. The total spend on investment, including capital expenditure, of £132 million (2024: £91 million) has been focused on activity to modernise our services, with good progress on our digital roadmap, mortgage sales platform enhancements (including limited company buy to let), operational resilience and cyber security. This excludes integration related costs.

The underlying Group cost to income ratio has increased to 65% (2024: 50%), reflecting the inclusion of the Bank's operating costs. Excluding this impact, the Society sub-group cost to income ratio would be 56%, demonstrating effective management of our operating cost base, whilst continuing to invest for the future.

Further details regarding administrative expenses are included in note 10 to the accounts.

## Expected credit losses

The performance of the mortgage book remains resilient, with just 0.38% (2024: 0.33%) of loans more than three months in arrears.

Credit impairment charges increased in the year to £24 million (2024: £18 million release) of which £23 million relates to the inclusion of the Bank. Post acquisition, the credit quality of the Bank's lending propositions remains similar to its 2024 performance and its standalone expected credit loss provision remains stable.

The £24 million charge in the year reflects the inclusion of the Bank into the Group. This has resulted in a £8 million charge in relation to the Bank's mortgage lending, a £9 million charge for unsecured lending and a further £7 million charge for the business and commercial lending portfolio. £5 million for a single case provision in commercial lending is included following a detailed review of the acquired assets. The charge in the year is impacted by accounting requirements following the fair value exercise of the acquired balance sheet. ECLs for acquired assets are reset to zero, re-recognised at stage 1 and built back up as credit quality changes occur.

The Group has a deliberately cautious approach to estimating ECLs and we continue to hold £7 million (2024: £6 million) of post model adjustments (PMAs), where core models do not fully reflect the risk of ECL given the market environment.

Accounts which have experienced a significant increase in credit risk and are classified as stage 2 decreased to 7% (2024: 10%). 95% of these stage 2 accounts remain up to

date with their payments. 92% of the book remains in stage 1 (2024: 89%).

The overall Group ECL provision equates to 0.06% of the overall lending book (2024: 0.05%), which is reflective of very strong credit quality with very low arrears and losses. The marginal increase in this coverage ratio is due to the inclusion of the Bank's unsecured, business and commercial assets.

More information on ECLs is included in note 16 to the accounts.

## Taxation

In 2025, the Group tax credit was £11 million (2024: £76 million charge), reflecting an effective tax rate of minus 1.4% (2024: 23.6%). The effective tax rate is lower than the UK statutory corporation tax rate of 25%, primarily due to the accounting gain arising on acquisition of the Bank, which is not taxable, and the recognition of additional deferred tax assets in the year.

Total net deferred tax assets of £205 million (2024: £nil) are recognised on the balance sheet which includes £243 million (2024: £nil) in relation to historical tax losses of The Co-operative Bank. Deferred tax assets in respect of historical losses have been recognised to the extent that the latest approved financial plan supports the expected future profitability and is subject to a significant degree of estimation as outlined in note 23.

Further information on taxation is included in note 17 to the accounts.

## Items relating to acquisition and integration

As a post balance sheet event to the Society's 2024 Annual Report and Accounts, we announced a £603 million gain on acquisition of the Bank and proforma Group leverage and CET 1 ratios of 4.5% and 19.7% respectively.

The accounting standard for acquisitions provides a 12 month measurement period post completion to conclude the opening fair valued position as final, when more granular information is available to the acquiree. This measurement period closed on 31 December 2025. This resulted in small adjustments to the previously disclosed gain of £603 million on acquisition to an updated gain of £584 million in these financial results. The change arose as the more granular final review of the opening balance sheet was concluded post acquisition.

The movement in the gain on acquisition together with the £9 million charge for ECL reset against the Bank's non-credit impaired assets and risk weighted asset methodology alignment to the Society has resulted in an updated opening Group leverage and CET 1 ratios of 4.4% and 19.1% respectively.

# Chief Financial Officer's review continued

## Balance Sheet

### Overview

Our core trading performance for mortgages, savings, current accounts, business and commercial deposits has been broadly stable. Excluding the acquisition impact, retail savings have increased organically as interest capitalises. This has been used to repay wholesale TFSME funding in the year. A summarised Balance Sheet is set out below:

	2025 £m	2024 £m
<b>Assets</b>		
Loans and advances to customers	72,936	51,801
Liquidity	13,896	10,724
Other	1,407	1,506
<b>Total assets</b>	<b>88,239</b>	<b>64,031</b>
<b>Liabilities</b>		
Retail and other deposits	71,722	49,425
Wholesale funding	11,316	10,475
Subordinated liabilities and subscribed capital	290	57
Other	622	446
<b>Total liabilities</b>	<b>83,950</b>	<b>60,403</b>
<b>Equity</b>		
General reserve	3,506	2,754
Other equity instruments	665	665
Other	118	209
<b>Total equity</b>	<b>4,289</b>	<b>3,628</b>
<b>Total liabilities and equity</b>	<b>88,239</b>	<b>64,031</b>

### Loans and advances to customers

The Group's lending remains focused on high quality, low loan to value (LTV) owner-occupied and buy to let lending within the prime residential market, distributed mainly through mortgage intermediaries in a cost-effective way. The addition of the Bank has increased both our scale and the breadth of our already regionally diverse mortgage portfolio.

The Group manages its growth according to the economic conditions, market pricing and funding conditions. The lending book has grown by £21.1 billion to £72.9 billion (2024: £51.8 billion). The growth was primarily through the acquisition of the Bank (£20.4 billion), with modest organic growth over the period.

During the year, the group advanced £9.6 billion of mortgages (2024: £6.7 billion), which was offset by redemptions and other repayments. Growth in the sector in 2025 has seen more lending in the higher LTV segments and the Group has taken a measured approach to participation given new business margins and the acquisition.

New lending on owner-occupier homes accounted for 75% of total new lending in 2025 (2024: 76%), with overall average LTV on new lending of 67% (2024: 68%). The Group continues to support first time buyers and increased the number of loans advanced in 2025 to over 9,600 (2024: 7,100).

The balance weighted indexed LTV of the mortgage portfolio has seen a small increase to 54.9%<sup>1</sup> at 31 December 2025 (2024: 53.5%) and the Group continues to have a robust and high quality asset book.

This is demonstrated by very low arrears with only 0.38% of mortgages more than three months in arrears (31 December 2024: 0.33%). The arrears volume remains very low both historically and when compared with the latest available industry average of 0.78%<sup>2</sup>. Whilst this represents an increase in the year, the low absolute number of cases more than three months in arrears of 1,637 (31 December 2024: 1,045) demonstrates the resilience of the portfolio. Most of these accounts have an LTV below 75%. The buy to let book saw a small increase in arrears but from a very low base.

Possessions and forbearance remained low, with 67 mortgages in possession at the year end (2024: 36) The increase includes 21 cases in possession by the Bank.

The Group acquired £0.2 billion in unsecured credit card assets, with flat growth during the year. Credit quality remains stable with low arrears rates.

In addition, a further £1.0 billion of business and commercial loans were acquired with flat growth over the year. 56% of this portfolio represents PFI and housing association loans. Despite a provision charge being booked in the first half for a specific single customer exposure, which is currently up to date, credit quality remains strong with a low level of arrears.

### Liquidity

Liquid assets have increased to £13.9 billion (2024: £10.7 billion), mainly due to the inclusion of the Bank from 1 January 2025. The Group liquidity position remains strong, as demonstrated by our 12-month rolling average Liquidity Coverage Ratio (LCR) of 230% at 31 December 2025 (2024: 258%), which is significantly above the minimum regulatory requirement.

Liquid assets are principally held in deposits at the Bank of England and in UK Government investment securities. This means that asset quality remains very high, with 97% of the portfolio rated Aaa-Aa3 (2024: 96%). 98% of liquid assets are held in UK sovereign or UK financial institutions (2024: 99%).

### Retail and business funding

The Group continues to be predominately funded by retail and business deposits, with balances of £71.7 billion at 31 December 2025 (2024: £49.4 billion), this includes £20.8 billion for the Bank.

The Group's overall savings market share is 3.5%<sup>3</sup> (2024: 2.7%), with the increase reflecting the acquisition of the Bank.

1. LTV is calculated using the Nationwide Building Society quarterly regional house price index (HPI).

2. Source: UK Finance.

3. Source: Bank of England.

# Chief Financial Officer's review continued

The Group acquired £4.9 billion of personal current account balances as part of the acquisition of the Bank, and we see a modest but positive trajectory on the volume of customers switching to the Bank, with 4,000 net switches in 2025. The balances have remained stable across 2025, in line with the market<sup>1</sup>.

The Group also acquired £3.4 billion of business and commercial deposits, and we have seen a £0.1 billion increase in the year.

## Wholesale funding

The Group uses wholesale funding to provide diversification of funding by source and term, supporting growth and lowering risk by reducing the overall cost of funding. This benefits retail deposit customers and members through better savings rates and lending customers and members by enabling us to offer more competitive long-term rates.

Wholesale funding has remained broadly stable at £11.3 billion (2024: £10.5 billion) and includes £1.9 billion of Bank wholesale funding. The Group successfully completed three issuances during the year, comprising a £600 million covered bond issued in January, a £500 million residential mortgage backed securities (RMBS) issued in July and a £600 million covered bond in September.

The Society and Bank have both previously accessed the Bank of England's Term Funding Schemes and during 2025 the Group has successfully repaid the majority of the outstanding drawings (£4.3 billion repaid during the year). £260 million is expected to be repaid in 2026.

## Equity

The Group's equity is predominantly made up of over 140 years of retained profits in the general reserve and Additional Tier 1 (AT 1) capital of £0.7 billion.

The Group made post-tax profits of £812 million in the year and total equity increased by £661 million, inclusive of a £58 million distribution to AT 1 capital holders and a £92 million movement in the cash flow hedge reserve.

## Pension Schemes

The assets and liabilities from the Group's pension schemes are recorded in the Group's financial statements with an overall net surplus of £15 million at the end of 2025 (2024: £5 million deficit).

The Group has three legacy funded defined benefit pension schemes, one for the Society and two Bank schemes. They are all closed to new members and future service accrual and employ low-risk investment strategies. As a result, volatility in the net position of the schemes is expected to be small relative to the overall balance sheet.

Currently, the Society scheme remains in a deficit of £8 million, with its next triennial expected to conclude in 2026. The two Bank schemes are in full 'buy-in' positions with specialist insurers, which substantially mitigates volatility that the schemes are exposed to. They have a combined surplus of £23 million.

The scheme assets and liabilities are impacted by market movements and the change in the year for the Society has been driven by fluctuations in the UK corporate bond market. The Group continues to monitor the pension scheme to ensure that there is no scheme deficit over the medium-term.

## Regulatory capital

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

The table below provides a summary of the Group's capital resources and CRD V ratios on an end-point basis (i.e. assuming all CRD V requirements were in force in full with no transitional provisions permitted).

	End-point 31 Dec 2025 £m	End-point 31 Dec 2024 £m
<b>Capital resources:</b>		
Common Equity Tier 1 (CET 1)	2,907	2,616
Total Tier 1 capital	3,572	3,281
Total capital	3,847	3,321
Risk weighted assets	14,760	9,340
<b>Capital and leverage ratios:</b>		
	%	%
Common Equity Tier 1 (CET 1) ratio	19.7	28.0
Leverage ratio including central bank reserves and full AT1 capital	4.0	5.2
UK leverage ratio <sup>1</sup>	4.6	5.7

1. The UK leverage ratio includes a restriction on the amount of Additional Tier 1 capital and excludes central bank reserves from the calculation of leverage exposures.

## Leverage

We are not currently bound by regulatory leverage ratios, which measure Tier 1 capital against total exposures, including off-balance sheet items. The UK leverage ratio framework is expected to apply to the Group when its average of retail deposits over the last three years exceeds £75 billion (threshold subject to future review and update) at its annual reporting date. The Group does not anticipate leverage requirements to apply for the foreseeable future.

The Group's UK leverage ratio reduced to 4.4% following the acquisition of the Bank (2024: 5.7%) and has subsequently improved to 4.6% during the year because of the increase in retained profits. This remains above the current regulatory expectation of 3.25% minima.

## Capital

On acquisition of the Bank, the updated pro-forma Group CET 1 ratio was 19.1%. As at 31 December 2025, the CET 1 ratio has increased to 19.7% as a result of retained profits in the year offset by movements in RWAs. Our CET 1 ratio remains significantly ahead of the Total Capital Requirement for the Group, which was 11.5% of RWAs as at 31 December 2025. The capital ratios include additional RWAs held for regulatory changes that are currently not reflected in the IRB models, as previously disclosed within the 2024 Annual Report & Accounts.

1. Source: Bank of England.

# Chief Financial Officer's review continued

The Society and Bank had both submitted updated models to the PRA in 2023. Our strategy following the acquisition is to move to a single Group IRB model. We have recently received feedback from the PRA on the models which had been submitted and we intend to incorporate this feedback into the build of our new Group model. We currently expect to submit our new Group IRB model at the end of 2027. When approval is granted, the final Group IRB model output RWAs may vary from those calculated currently, thereby impacting capital ratios.

Basel 3.1 RWA floors are currently expected to be phased in from the introduction of the new regulations in 2027, and in time are expected to reduce the Group's reported CET 1 ratio, through increasing RWAs. Applying the Basel 3.1 RWA floors to the 31 December 2025 figures on a full transition pro-forma basis would result in a CET 1 ratio of approximately 17.5%. However, on expected Basel 3.1 implementation in January 2027, the Group estimates a 20.1% pro-forma CET 1 ratio at 31 December 2025 due to the removal of the IRB scalar of 1.06. The Group currently expects Basel 3.1 capital requirements to bind from 2028.

All known future capital requirement changes (including Basel 3.1 impacts) have been factored into the Group's financial plans, ensuring we remain appropriately capitalised.

The capital disclosures above are on a Group basis, including all subsidiary entities.

# Other information

## Alternative performance measures

The Group reports its results using a number of financial measures which are not driven by accounting standards (non-IFRS measures). These measures are used to understand our performance and are used internally when assessing the Group's results. More information on each alternative performance measure and its calculation is set out within the Glossary on page 202.

## Non-financial information

The Society has voluntarily applied the requirements of Sections 414CA and 414CB of the Companies Act 2006 relating to the disclosure of non-financial and sustainability (environmental, social and governance) information. The information is integrated across the Annual Report & Accounts and therefore we have used cross-referencing to avoid duplication.

Reporting requirement	Page
Business model	15
Top & emerging risks	24
Key risk management	34
Key performance indicators	5, 107
Colleagues	17
Human rights	22
Anti-bribery and corruption	22
Communities	18
Environmental matters <sup>1</sup>	21
Climate-related financial disclosures	62

1. Our full Environmental Policy is published on our website at [www.thecoventry.co.uk](http://www.thecoventry.co.uk).

The Strategic Report has been approved by the Board of Directors and signed on its behalf.

**Stephen Hughes**

Chief Executive  
26 February 2026

# Risk Management Report

This section outlines the risks that the Group is exposed to and how they are managed.

Introduction	34
Risk categories	
Credit risk	38
Market risk	46
Liquidity and funding risk	47
Capital risk	53
Model risk	56
Operational risk	57
Strategic change risk	58
Financial crime risk	59
Conduct and compliance risk	59
Climate risk	60
Operational resilience	61



# Risk Management Report

## Introduction

This Risk Management Report explains the principal risks that the Group is currently exposed to and provides information on how these risks are managed.

The report also includes information on the Group's capital position. Holding capital is key to ensuring the Group protects members and customers from the impact of any related risk which may materialise.

## Principal risks

The principal risks to which the Group's business model is inherently exposed are set out below. These risks are managed through the Group's Enterprise Risk Management Framework (ERMF).

Principal risks are those risks that the Group believes could materially compromise its ability to meet its strategic objectives. The principal risks were reviewed during the year, as part of the alignment and integration of approaches post acquisition of the Bank. Both financial crime and strategic change risks are included as principal risks, whilst technology & cyber and data risks now form part of the broader operational risk principal risk category. Information on the Group's top and emerging risks is included in the Strategic Report on pages 24 and 25.

Principal risks	Mitigation
<p><b>Credit risk</b></p> <p>The risk of loss to the Group from members/customers or wholesale counterparties failing to meet their contractual payments in full and/or on time. This covers retail and commercial credit risk.</p>	<p>We operate robust underwriting and affordability assessments which, together with appropriate credit policies, results in the Group lending responsibly and within its risk appetite. We also build and operate statistical models to measure credit risk to ensure we understand our exposure to ongoing risk of losses in stressed scenarios.</p>
<p><b>Market risk</b></p> <p>The risk of a reduction in Group earnings and/or value resulting from adverse movements in market factors.</p>	<p>We operate within Board approved limits and use interest and foreign exchange rate swap agreements to mitigate the impact of changes in interest rates and foreign exchange rate.</p>
<p><b>Liquidity and funding risk</b></p> <p>The risk that the Group has insufficient funds or projected funds to meet obligations as they fall due or could only do so at excessive cost or risk.</p>	<p>We hold sufficient liquidity to withstand a severe but plausible stress, mitigate risks identified through the annual ILAAP process and operate within limits set by the Board. We maintain a diversified funding base to avoid any overreliance on any funding source, type or term.</p>
<p><b>Capital risk</b></p> <p>The risk that the Group has insufficient capital resources to absorb losses in benign or stressed macro-economic conditions, fails to meet prudential regulations and expectations, or has insufficient financial resources to recapitalise in the event of resolution.</p>	<p>We hold sufficient capital to withstand a severe but plausible stress, and mitigate risks identified through the annual ICAAP process. Risk appetite limits are set to ensure that the Group always maintains compliance with regulatory minima, with early warning indicators in place to identify periods of severe stress as part of the recovery planning process.</p>
<p><b>Model risk</b></p> <p>The potential for adverse consequences from errors or the inappropriate use of modelled outputs to inform business decisions.</p>	<p>We have implemented robust model risk management practices, set out in the policy on Model Risk and Model Risk Framework. These cover key governance requirements and processes applicable to material models.</p>
<p><b>Operational risk</b></p> <p>The risk of loss arising from inadequate or failed internal processes, people, systems, or from external events that disrupt business operations.</p> <p>The operational risk principal risk category includes technology &amp; cyber; data; third party; legal; people; statutory, regulatory and financial reporting; payments; and premises risk.</p>	<p>We actively identify, assess and manage operational risks across a number of categories to which the Group is exposed, consistent with Basel risk classifications, industry best practice and the Group's business model. We aim to continuously enhance our operational risk management framework to enable the Group to effectively manage its operational risk, thereby limiting incidents and associated losses to within appetite.</p>
<p><b>Strategic change risk</b></p> <p>The risk that strategic outcomes are not successfully delivered and/or change deliverables adversely impact business operations.</p>	<p>The Group has implemented a robust governance framework, with a dedicated change management office to ensure strategic change is appropriately managed, and portfolio risks are monitored and controlled. This includes deploying established programme management techniques and governance tools utilising third party subject matter expertise as required. Strategic change risk has been elevated to a principal risk category to support enhanced oversight by the Board.</p>

# Risk Management Report continued

## Principal risks continued

Risk categories	Mitigation
<p><b>Financial crime risk</b></p> <p>The risk that Group products or services will be exploited for criminal purposes, including:</p> <ul style="list-style-type: none"> <li>a) fraud or dishonesty, including tax evasion and bribery or corruption;</li> <li>b) misconduct in, or misuse of information relating to a financial market;</li> <li>c) handling the proceeds of crime; or</li> <li>d) the financing of terrorism or evading or circumventing of sanctions.</li> </ul>	<p>The Group implements systems and controls in order to manage the economic crime risks posed by our customers, products, geographies and channels, in line with our legal and regulatory obligations. The Group monitors the effectiveness of these controls through ongoing oversight and assurance activity and through the Group's governance committees.</p>
<p><b>Conduct &amp; compliance risk</b></p> <p>The risk that the Group's behaviour, decision making, or products and services result in poor outcomes for customers, undermine market integrity or breach regulatory standards and cause harm to customers, the Group or the financial system.</p>	<p>We place good customer outcomes, aligned to the FCA Consumer Duty, at the heart of our decision making. In line with putting members and customers first, this reduces conduct risk. This ethos is embedded in product design, services, and people and communication strategies. The Board plays an active role in oversight of these strategies and the delivery by the Group of good customer outcomes.</p>

## Thematic risks

Thematic risks are a category of risks that span across two or more principal risks. They enable the risk exposure to be connected such that it can be assessed, managed and reported.

Risk categories	Mitigation
<p><b>Climate risk</b></p> <p>The risk that climate-related events or the transition to a low-carbon economy will lead to financial losses, operational disruption, regulatory censure and/or reputational damage for the Group.</p>	<p>The Group continues to focus on understanding and planning for the impacts of risk associated with climate risk as presented in the Sustainability Report and the Climate section of the Annual Report &amp; Accounts. Regular horizon scanning is performed with periodic reporting to the Group Board Risk Committee, which includes monitoring of emerging risks.</p>
<p><b>Operational resilience</b></p> <p>The risk of the Group experiencing operational disruptions due to shortcomings in preventing, adapting to, responding to, recovering from, and learning from disruptive events.</p>	<p>To reduce the likelihood and impact of severe disruption, the Group maintains a comprehensive operational resilience capability that spans across three centres of excellence: Business Continuity &amp; Supplier Resilience, Incident Management &amp; Change, and Important Business Service Oversight. Each centre focuses on enhancing the Group's ability to prevent, adapt, respond, recover and learn from disruptive events. This activity is supported by a multilayered approach to scenario stress testing and a suite of management information that spans across six resilience pillars: Technology, Data, Cyber Security, People, Premises and Third Parties.</p>

More detail on the principal and thematic risks is presented from page 38.

## Controlling and managing risk

The Group manages risk through the ERMF, which sets out the Board's approach to managing and overseeing risk by defining risk appetite; governance and control; and risk management in light of the Group's strategy. The ERMF is approved annually by the Board to ensure it operates effectively. The Group will continue to enhance the ERMF as required to ensure it identifies and manages risk within its risk appetite.

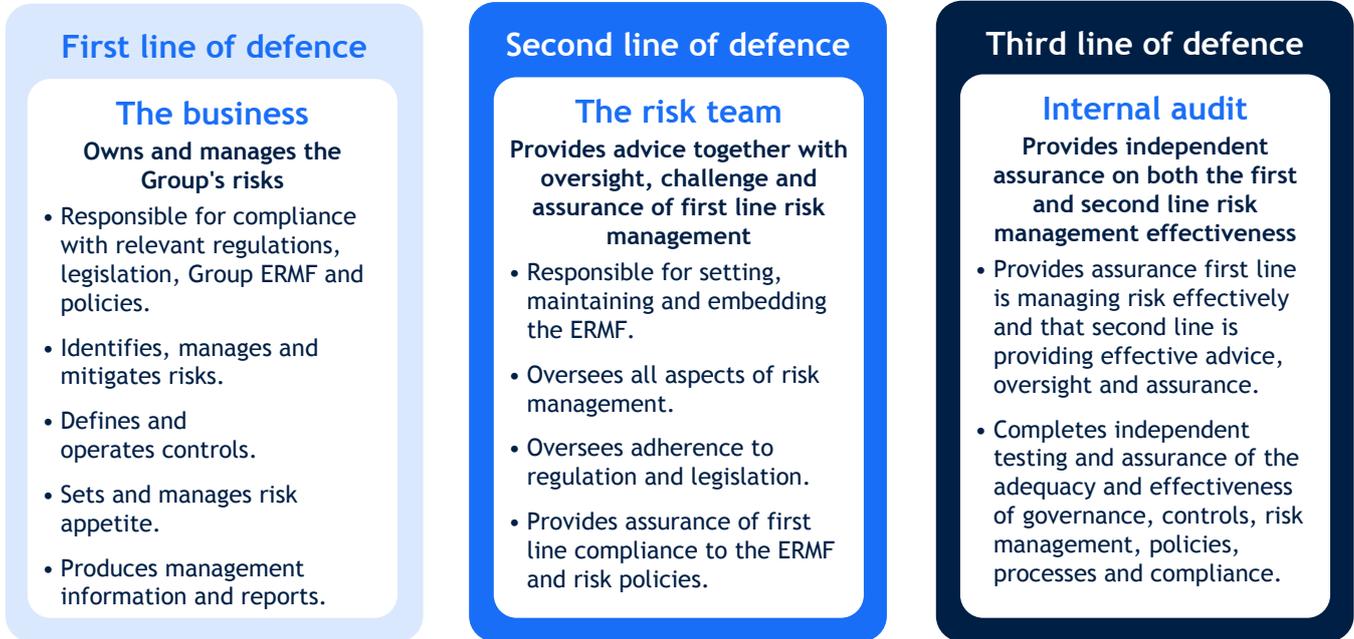
During 2025, enhancements have been incorporated to provide a consistent Group ERMF approach, replacing the legacy Society and Bank ERMFs. This has resulted in the consistent application of risk committees, risk categorisation, risk reporting, risk policies, risk appetite and the three lines of defence model throughout the Group. The 2026 financial year will see a sustained focus on the full adoption and embedding of the Group's ERMF.

# Risk Management Report continued

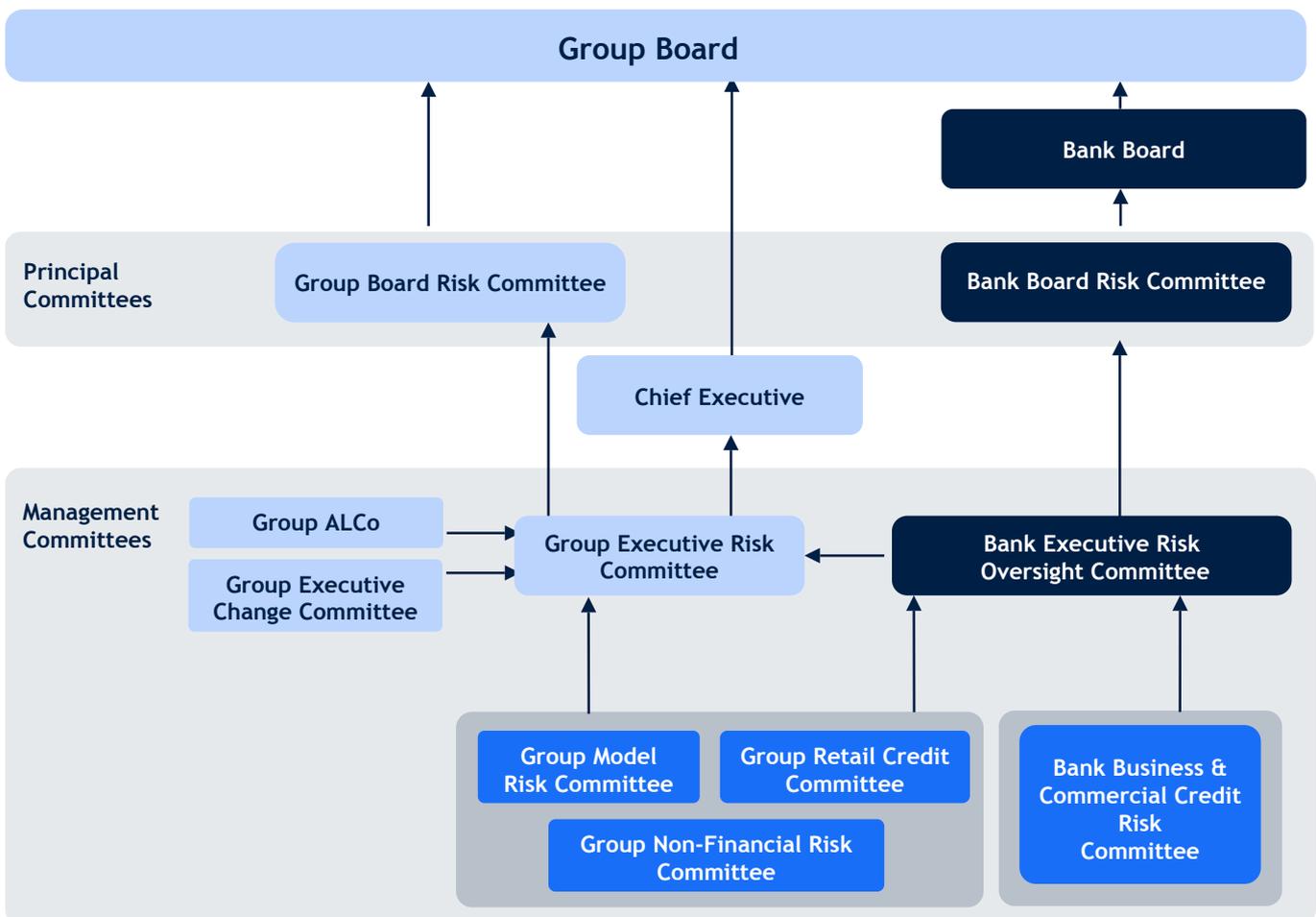
## Controlling and managing risk continued

### Three lines of defence

The Group operates a ‘three lines of defence’ model, recognised as an industry standard for risk management. The key accountabilities of the three lines of defence within the Group are set out below:



### Risk committee structure



# Risk Management Report continued

## Risk management

The Group's risk management objectives are to:

- Identify risks to the strategic plan and to the Group's objectives.
- Assess risk exposures by impact and likelihood.
- Respond to risks by evaluating them against the Group's risk appetite, formulating associated management responses and monitoring progress against agreed management action plans.

Risks are identified, assessed, managed, monitored, escalated and reported in accordance with the requirements of the ERMF. Management information captures risk metric performance against risk indicators, triggers and limits as appropriate. Where a trigger or limit is breached, a process exists to ensure it is escalated, reported and managed effectively, through the appropriate channels.

## Risk strategy

The Board sets the Group's risk strategy and risk management approach. The strategy includes establishing a robust risk culture, setting the Board's risk appetite and ensuring that the 'three lines of defence' model operates effectively.

## Risk culture

Risk culture is reflected in the behaviour and approach of the Board and all employees to risk awareness, risk taking and risk management. A strong risk culture helps the Group to achieve its strategy within acceptable risk levels.

The Group's risk culture is built on the following five elements:

- Tone from the top;
- Accountability;
- Conduct and member/customer outcomes;
  - Risk actions and decisions are aligned with fair treatment of members and customers, and regulatory expectations.
- Governance; and
  - Our governance processes encourage risk transparency, open discussion and debate, and robust execution of risk management mitigation.
- Incentives.
  - In particular, the Society does not pay any sales incentives to employees.

## Board risk appetite

The Board articulates the risks it is willing to take in delivering the Strategic Plan through its risk appetite statements, which create a framework for decision making. These appetite statements are reviewed on an annual basis to ensure they remain appropriate.

The Board's strategy towards risk and risk appetite is to achieve operational, conduct and prudential resilience that protects the long-term interests of our membership and the Group, and also reflects our market role in supporting economic growth and financial stability.

The Executive Risk Committee (ERC), the Board Risk Committee (BRC) and the Board all review performance and adherence to Board risk appetite limits.

## Stress testing and planning

Stress testing, for both internal and external shocks, is used to understand the potential impact of risks crystallising and options to manage them. This includes scenario and contingency planning.

Stress testing is a key part of the Group's capital and liquidity assessments, and allows the Board to be satisfied that the Group has sufficient capital and liquidity resources even under a range of severe forward-looking scenarios.

More detail on the stress testing carried out by the Group, including the Internal Capital Adequacy Assessment Process (ICAAP), and Internal Liquidity Adequacy Assessment Process (ILAAP) is set out in the sections that follow covering capital risk and liquidity and funding risk.

## Governance and control

The Group has a number of committees that oversee and monitor risk as set out on page 36. The Board delegates to BRC oversight of the Group's risk management arrangements as a whole. The Chief Risk Officer (CRO) has an independent reporting line directly to the Chair of the BRC, in addition to reporting to the Chief Executive.

The Internal Audit function provides independent and objective assurance and the Chief Internal Auditor has an independent reporting line to the Chair of the Board Audit Committee (BAC).

Further information on the BRC and BAC is included in the Governance Report.

# Risk Categories

## Credit risk

Credit risk is the risk of loss to the Group resulting from members, customers or wholesale counterparties failing to make their contractual payments in full and/or on time. Credit risk arises primarily from the retail and commercial lending activities and therefore is managed under the following sub-categories:

- Retail secured credit risk;
- Retail unsecured credit risk; and
- Business and commercial credit risk.

The retail secured portfolio represents 98% of the Group's lending.

Credit risk on treasury instruments is not considered a material driver of credit risk for the Group.

### Maximum exposure to credit risk

The Group's exposure to credit risk mostly relates to loans and advances to customers. The maximum exposure to credit risk increased to £91.3 billion in 2025 (2024: £65.5 billion) primarily due to its acquisition of The Co-operative Bank.

The maximum exposure to credit risk for on-balance sheet and off-balance sheet financial exposures is set out below, with on-balance sheet values of loans and advances presented net of expected credit losses (ECLs) of £44 million (2024: £24 million). The maximum exposure to credit risk for off-balance sheet financial exposures is considered to be the contractual nominal amounts.

(Audited)	On-balance sheet carrying value 2025 £m	Off-balance sheet exposures <sup>1</sup> 2025 £m	Maximum credit risk exposure 2025 £m	On-balance sheet carrying value 2024 £m	Off-balance sheet exposures <sup>1</sup> 2024 £m	Maximum credit risk exposure 2024 £m
Cash and balances with the Bank of England	11,948	—	11,948	9,893	—	9,893
Loans and advances to credit institutions	383	—	383	329	—	329
Debt securities	1,565	—	1,565	502	—	502
Loans and advances to customers	72,936	3,946	76,882	51,801	1,915	53,716
Derivative financial instruments	533	—	533	1,084	—	1,084
<b>Total</b>	<b>87,365</b>	<b>3,946</b>	<b>91,311</b>	<b>63,609</b>	<b>1,915</b>	<b>65,524</b>

1. Off-balance sheet exposures represents undrawn loan facilities, including mortgage pipeline, credit cards, personal loans and overdraft facilities.

### Identifying impaired loans (Audited)

Under IFRS 9, the Group calculates impairment provisions on loans and advances to customers on an expected credit loss (ECL) basis and not on an incurred loss basis. ECL provisions are based on an assessment of probability of default, loss given default and exposure at default in a range of forward-looking scenarios.

IFRS 9 requires the Group to categorise customer loans into one of three stages at the Balance Sheet date. Assets that are 'performing' are shown in stage 1; assets where there has been a significant increase in credit risk (SICR) since initial recognition or 'deteriorating' assets are in stage 2; and accounts which are credit impaired or in 'default' are in stage 3. IFRS 9 requires a 12 month ECL provision on all stage 1 assets and a lifetime ECL provision on all stage 2 and 3 assets. Further disclosures on the criteria applied to determine whether loans should be classed as stage 2 or stage 3 are included in note 1 to the accounts.

Further disclosure on the ECL provisions and the accounting judgements which have been applied are included in note 16 to the accounts.

### Credit risk outlook

Looking beyond the accounting recognition of day one ECL for acquired loans and specific commercial cases, the resilience of the lending portfolio has facilitated a largely stable impairment provision position in the year. Challenges do still persist though, with costs continuing to be elevated and geopolitical developments that could lead to instability in the wider economy that could feed into customer-level impacts. The Group therefore continues to remain alert to potential impacts on its lending customers and will continue to manage policy and provisions in accordance with any emerging risks. The Group has maintained its ongoing focus on low risk lending within a prudent risk appetite, which is geographically spread across the UK.

# Risk Categories continued

## Credit risk continued

### Retail credit risk - secured

Credit risk in the Group's mortgage book only crystallises in the event that a borrower is unable to repay the mortgage and, as a result, the property on which the mortgage is secured has to be repossessed and sold at a price which is insufficient to cover the outstanding loan balance.

#### Portfolio analysis

The Group's secured portfolio has increased significantly during the year as a consequence of the acquisition of the Bank and accounts for 98% of the Group's overall lending. The Group continues to focus on low risk, high quality owner-occupier and buy to let mortgages. Non-traditional mortgage lending outside these core segments relates to residual legacy products and comprises a negligible amount of total gross loans.

Buy to let lending continues to be provided mainly on an interest only basis, reflecting the underlying investment nature of buy to let properties, which can be sold to repay the capital amount. Interest only lending was 5.2% of the owner-occupier portfolio at 31 December 2025 (2024: 4.9%) with an average loan to value of 33.4% (2024: 33.4%).

More information on the performance of the retail secured portfolio is included in the following sections.

#### Geographical concentration

The mortgage portfolio continues to be well diversified and reflects the national coverage of the Group's distribution channels.

The geographical split of mortgages by balance, gross of impairment provisions, is shown below and has remained broadly stable:

Region (Audited)	2025 %	2024 %
London	23.4	26.4
South East England	18.1	18.2
Central England	14.5	14.3
Northern England	16.5	14.1
East of England	11.9	12.0
South West England	8.4	8.6
Scotland	4.4	3.7
Wales and Northern Ireland	2.8	2.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

#### Loan to value and income multiples

The low loan to value (LTV) profile of the mortgage book, as shown in the following tables, is a reflection of the Group's low risk approach to lending. The Group updates the estimated value of the properties securing the mortgage portfolio on a quarterly basis using regional house price indices and all tables within this report are prepared using these valuations.

The Group operates a maximum income multiple for owner-occupier mortgages that takes into account

factors such as LTV and income, ranging from 6 to 4.49. Lending at or above 4.5 times income is closely monitored, and we have seen an increase during 2025 as a result of stress rate changes and income multiple policy changes during the year. In 2025, lending at 4.5 income multiple or above was 4.9% (2024: 1.7%).

The Group is a responsible lender and operates robust affordability checks before advancing any loans. For owner-occupier mortgages, ensuring a borrower has sufficient net income, both at the time of application and in a future higher interest rate environment, is a key part of this. For buy to let loans, the Group sets minimum interest coverage ratios that reflect, among other things, the tax status of the borrower. The vast majority of buy to let loans are assessed purely on the income generated by the subject property.

The Group's actual average interest coverage ratio at the end of the year using a stressed 5% interest rate was 223.1% (2024: 225.2%), significantly above its minimum lending criteria.

The Group also lends to portfolio landlords within the buy to let segment and takes a prudent approach to assessing portfolio LTV and income coverage ratios. There are also limits on the number of properties in the portfolio both in total and those which the Group will lend on. Each loan in a portfolio is assessed on a standalone basis and no allowance is made in the affordability assessment for other income of the borrower.

The Group launched a limited company buy to let proposition during 2025, with lending criteria consistent with personal name buy to let lending and the same underwriting standards. During 2025, £271 million of lending has been completed on the limited company BTL proposition, with an income coverage ratio at a 5% stress rate of 178%.

The LTV distribution of the mortgage book as at 31 December 2025 has slightly increased compared with 2024, as a result of increased lending in the 85% to 95% including to first time buyers as well as the slightly higher LTV portfolio following the acquisition. The overall average LTV (balance weighted) increased during the year. The following tables calculate LTV based on the weighted average loan balances unless stated otherwise.

Total mortgage book profile by number of accounts (Audited)	2025 %	2024 %
Indexed loan to value:		
< 50%	52.7	53.2
50% to 65%	24.8	26.5
65% to 75%	12.3	11.8
75% to 85%	6.7	5.5
85% to 95%	3.4	2.9
>95%	0.1	0.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
Average indexed loan to value of stock (simple average)	46.3	46.0
Average indexed loan to value of stock (balance weighted)	54.9	53.5

# Risk Categories continued

## Credit risk continued

The average indexed LTV of the portfolio has increased to 54.9% (2024: 53.5%). This is both the result of organic change because of the increased higher LTV lending and the acquisition of the Bank. The heritage Society portfolio has a average LTV of 54.2% compared to 56.9% for the heritage Bank portfolio.

The average LTV of gross new lending in 2025 is shown below, which has increased during the year as a result of an increased focus on higher LTV lending in line with market changes.

Gross lending by balance - new business profile	2025 %	2024 %
Owner-occupier purchase	42.8	43.2
Owner-occupier remortgages	30.4	30.9
Owner-occupier further advances	2.2	2.2
Buy to let purchase	5.1	5.7
Buy to let remortgages	18.5	17.2
Buy to let further advance	1.0	0.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
Average loan to value (simple average)	63.4	62.7
Average loan to value (balance weighted)	67.0	66.7

## Credit risk management

The Retail Credit Committee (RCC), and ultimately the Board, oversee the Group's credit risk management supported by a specialist retail credit risk department reporting to the Chief Risk Officer.

The Board sets prudent credit risk limits within the context of the Group's overall risk appetite and these are reflected in the Group's lending criteria and credit controls. The limits are also tested in a severe but plausible stress scenario to ensure the Group is not exposed to risk outside of its appetite if such a scenario unfolds, and lending is tracked against these limits.

All mortgage applications are assessed against the Group's lending policy criteria to ensure consistent credit decision making and lending within the Group's credit risk appetite. This assessment uses stressed interest rates to ensure affordability even if interest rates increase. The lending criteria has remained broadly unchanged in 2025.

The Group also ensures that there is no overexposure to any geographical region or counterparty and that its mortgage portfolio as a whole can withstand a range of macroeconomic and specific stress scenarios.

## The Group's approach to payment difficulties

The Group continues to support customers having difficulty making their mortgage payments; this includes closely monitoring the impacts of the affordability pressures that both the cost of living inflationary challenges brings and a higher interest rate environment have given rise to in recent years. The Group takes action to proactively contact 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. In the event that

customers do experience financial difficulties, contact is made on a missed direct debit (pre-arrears) as well as following missed payments (arrears). The full range of forbearance support, as detailed below, is available related to the circumstances of the borrower. The Group also continues to support the Mortgage Charter, an initiative established in 2023 to provide short-term assistance to borrowers experiencing cost of living challenges.

## Arrears performance

During 2025, whilst in absolute terms the Group's longer-term arrears position has worsened, with £269 million (2024: £174 million) of accounts being greater than three months in arrears, proportional arrears levels remain low at 0.38% (2024: 0.33%) of the total mortgage portfolio. The absolute increase is both the result of an underlying mild deterioration in arrears position of Society assets (£52 million) and increase as a result of acquiring the Bank (£43 million). The overall credit quality of the book however does remain high and arrears levels compare favourably to the UK Finance average. The vast majority of these accounts have an LTV below 75%. The Group continues to have a very low number of properties in possession, which as at 31 December 2025 stood at 67 properties (2024: 36). This increase is the result of increased levels of repossession on the Society mortgage book (46) and as a result of acquiring the Bank (21).

	2025		2024	
	Gross balance £m	Arrears balance £m	Gross balance £m	Arrears balance £m
(Audited)				
Greater than three months	269	15	174	9
Greater than six months	159	12	99	7
Greater than one year	61	7	40	4
In possession	15	1	8	—

The overall level of arrears remains significantly lower than the UK Finance average, as shown below:

	2025		2024	
	Group %	UK Finance <sup>1</sup> %	Group %	UK Finance <sup>1</sup> %
(Audited - Group only)				
Greater than three months	0.38	0.78	0.33	0.91
Greater than six months	0.22	0.49	0.19	0.60
Greater than one year	0.08	0.29	0.08	0.31
In possession	0.02	0.06	0.01	0.02

1. UK Finance data as at 31 December 2025 (2024: 31 December 2024).

# Risk Categories continued

## Credit risk continued

### Extent and use of forbearance

The Group exercises forbearance if it is in the best interests of the borrower. Forbearance measures that the Group may offer are:

- **Concessions**, where the Group agrees to accept either the normal monthly payment with no contribution towards paying off the outstanding arrears, reduced payments, or in exceptional circumstances, no repayments for a short period.
- **Mortgage term extensions** to reduce the amount of the monthly payment as part of a longer-term solution.
- **A change of product** which results in more sustainable monthly payments. On very rare occasions, arrears may be capitalised or the Group may agree to change repayment mortgages to interest only terms for a temporary period as a means of exercising forbearance.

Where a loan is up to date, the Group may agree a short-term payment holiday as a way of allowing borrowers to resolve financial difficulties, in which case this is treated as a forbearance measure rather than as one where the borrower is using a product feature. Forbearance payment holidays are for a maximum of six months and are only given where the borrower can afford the post-holiday monthly repayments. The table below provides details of loans which have had forbearance measures granted.

The Group applies the Prudential Regulation Authority (PRA) definition of forbearance (which aligns to the European Banking Authority) for the purpose of this disclosure, where forbearance measures have been granted in the last 24 months, regardless of whether the incident of forbearance has now been lifted and the loans are back on their original terms.

As outlined in the table below, the overall number of loans in forbearance has increased on account of the acquisition of the Bank portfolio. The Bank has historically applied a more prudent definition of forbearance and the Group is working towards aligning its definitions.

All accounts subject to active forbearance at the reporting period are assessed as either stage 2 or 3 under IFRS 9 and the Group recognises a lifetime ECL for these as an impairment provision.

The table below details all cases which have had forbearance measures granted during the last 24 months, under the PRA definition of forbearance. This therefore includes stage 1 accounts under IFRS 9, as the forbearance measures have been lifted at 31 December 2025.

	2025		2024	
	No. of accounts	Carrying value £m	No. of accounts	Carrying value £m
<b>Forbearance: Accounts past due</b>				
Concessions	343	60	217	36
Payment holidays	72	9	43	5
Product transfers	3	—	2	—
Temporary transfer to interest only	20	3	7	1
Term extensions	6	—	1	—
Other	40	3	—	—
<b>Forbearance Indicators: Accounts not past due</b>				
Concessions	281	42	150	23
Payment holidays	567	82	158	21
Product transfers	1	—	1	—
Temporary transfer to interest only	125	22	18	3
Term extensions	2	—	2	—
Other	65	9	—	—
<b>Total Forbearance</b>	<b>1,525</b>	<b>230</b>	<b>599</b>	<b>89</b>
Of which stage 2	348	37	177	22
Of which stage 3	712	108	311	53
ECL on forborne accounts		2		1

# Risk Categories continued

## Credit risk continued

### Retail credit risk - unsecured

The small retail unsecured portfolio comprises credit cards and overdrafts and became part of the Group's retail portfolio on acquisition of the Bank. As a result, there is no comparative data presented. Credit risk in the retail unsecured book crystallises in the event that a borrower is unable to repay their credit card or overdraft balance, which is then either sold at a loss to a specialist distressed debt purchaser, or written off.

The unsecured retail portfolio represents 0.3% of the Group's overall lending.

#### Portfolio analysis

The following table shows unsecured lending gross customer balances and exposures (including undrawn commitments) by product type and associated allowances for losses. The gross customer exposure represents the Group's maximum exposure to credit risk on these assets. Total drawn balances have seen a minimal reduction over the year alongside the undrawn exposure.

(Audited)	2025			
	Gross customer balances £m	Undrawn exposures £m	Allowance for losses £m	Coverage %
Credit cards	211	766	3	1.42
Overdrafts	12	162	2	16.67
<b>Total</b>	<b>223</b>	<b>928</b>	<b>5</b>	<b>2.24</b>

### Credit risk management

Customers' applications for credit are assessed using a combination of credit scoring and policy rules. Credit card and overdrafts are also subject to ongoing account management to determine any increase or decrease in credit limit that should apply as well as to manage over limit authorisations.

The portfolio risk is reassessed monthly using behavioural scorecards to determine the amount of capital required to be held for individual exposures.

### The Group's approach to payment difficulties

The Group provides support to those customers having difficulty making their credit card payments or managing their overdraft facility; this includes closely monitoring the impacts of the affordability pressures that both the cost of living inflationary challenges brings and a higher interest rate environment have given rise to in recent years. The Group takes action to proactively contact credit card and overdraft customers who are identified as at a greater risk of facing future financial difficulties. Through delivery of our pre-arrears contact strategy, the full range of forbearance support, as detailed below, is available based on the circumstances of the borrower.

### Forbearance

Forbearance occurs when, for reasons relating to actual or apparent financial difficulty of the borrower, a temporary or permanent concession is granted. A concession may involve restructuring of the payment

terms of the facility. The primary aim of forbearance is to help the borrower through a period of financial difficulty and return the account into a sustainable position, where the facility can be serviced through to full repayment. When the primary aim cannot be achieved, the secondary aim is to maximise recovery of debt.

A number of forbearance options, including concessionary arrangements, are available to borrowers in financial difficulty. These are handled either with customers directly or through a third party that they have chosen to represent them. Accounts classified as forborne remain so until the period of financial difficulty has passed and the account has demonstrated it can operate under sustainable terms or ownership is transferred to a third party.

The table below analyses unsecured facility balances by forbearance type and the associated gross allowance for losses coverage.

	2025	
	No. of accounts	Carrying value £m
<b>Forbearance: Accounts past due</b>		
Arrangements	203	–
Hardships	461	–
Temporary reducing overdraft	218	–
<b>Forbearance: Accounts not past due</b>		
Arrangements	473	–
Hardships	430	–
Temporary reducing overdraft	2,797	1
<b>Total Forbearance</b>	<b>4,582</b>	<b>1</b>
Of which stage 2	89	–
Of which stage 3	3,200	1
ECL on forborne accounts		–

# Risk Categories continued

## Credit risk continued

### Business and commercial

The business and commercial portfolio comprises loans made to business entities across a range of sectors and became part of the Group's lending portfolio on acquisition of the Bank. As a result, there is no comparative data presented. New lending is primarily focused on housing associations, commercial real estate (CRE) and care and renewables sectors. The other main lending sector is to Private Finance Initiative (PFI) counterparties, however this is a closed portfolio, which is expected to reduce over time.

The business and commercial portfolio represents 1.4% of the Group's overall lending.

#### Portfolio analysis

The following table shows the Group's business and commercial lending by industry sector.

	2025			
	Balance £m	Undrawn exposures £m	ECL £m	Coverage %
<b>Split by industry</b>				
PFI	300	21	1	0.25
Housing association	271	163	—	0.03
Commercial real estate	253	2	1	0.35
Other	190	110	5	5.03
<b>Total</b>	<b>1,014</b>	<b>296</b>	<b>7</b>	<b>0.72</b>

#### Credit risk management

At origination, the sector-based key credit criteria outline the requirements that must be met by the majority of borrowers. Exceptions to that are monitored via a key risk indicator. The Group operates a strict policy with regards to reporting single name concentrations.

There are a number of triggers which, when met, will result in the customer being classed as watchlist, and therefore classed as higher risk of default and will be subject to closer monitoring. These triggers include, but are not limited to: payments past due, cash flow pressures, the need for temporary tailored support, insolvency, covenant breaches, or other signs of financial distress.

#### Collateral (Audited)

Various forms of collateral are used to mitigate the Group's exposure to credit risk arising in business and commercial lending. These can vary depending on the lending type and include property collateral, debentures (England and Wales), floating charges (Scotland), cash cover, and personal guarantees. Government guarantees apply to loans previously made under the Coronavirus Business Interruption Loan Scheme (CBILS) and Bounce Back Loan Scheme (BBLs) (80% and 100% respectively).

Property valuations are obtained when the facility is first approved. Thereafter, the Group's lending procedures require collateral values to be reviewed internally annually to assess whether a material change has

occurred. A formal external revaluation of a property is required, as a minimum, no less than every five years; or more frequently where a customer's facilities exceed £2.5 million (when a maximum 3 yearly revaluation is required) and when lending exposures are considered to be higher risk (when a material change has occurred that is likely to affect the value and/or recoverability of the debt).

The table below analyses the market value of the property collateral and effective coverage provided by government guarantees (capped at 100% of LTV) held against assets across all sectors. As noted above, the Group also has non-property collateral to utilise.

Collateral type	2025			
	Total balances £m	Property collateral	Government guarantee	Loss allowance £m
Stage 1	637	574	49	1
Stage 2	26	21	2	—
Stage 3 & POCI	20	11	4	4
<b>Total secured</b>	<b>683</b>	<b>606</b>	<b>55</b>	<b>5</b>
Unsecured	331	—	—	2
<b>Total</b>	<b>1,014</b>	<b>606</b>	<b>55</b>	<b>7</b>

Within the business and commercial portfolio, no loss allowance will be recognised on certain loans where the level of collateral available is sufficiently high, i.e. BBLs or low LTV loans, such that the risk to the value of the collateral in the downside scenarios still results in a loss given default of nil.

#### The Group's approach to payment difficulties

The Group provides support to customers who are in financial difficulty. The identification of financial difficulty is seen through the use of early warning indicators or through ongoing customer interactions. If this is identified in the relationship, teams then seek to consider if forbearance is appropriate.

#### Forbearance

Forbearance may be made to customers who are in financial difficulty, which will be confirmed through thorough financial assessment. As at 31 December 2025, £29m of balances were subject to some degree of forbearance.

# Risk Categories continued

## Credit risk continued

### Treasury credit risk

Treasury credit risk is the risk that the Group is unable to recover the principal or interest due from a wholesale debtor, or that the value of a wholesale asset or instrument reduces materially due to changes in the creditworthiness of the counterparty.

#### Management of treasury credit risk

The Group has a low appetite for treasury credit risk and restricts exposures to good quality counterparties with a low risk of failure.

Treasury investments in financial institutions are predominantly with highly rated UK banks. The treasury credit risk framework is reviewed annually by the BRC and the Board, and reflects internal analysis, external credit ratings and any other relevant factors. There is a maximum permitted exposure set for each category of investments in addition to country limits.

Within the risk framework, detailed limit setting is delegated to the Asset and Liability Committee (ALCO) with oversight from the Risk function.

Exposures are reviewed continuously to ensure that they remain within the approved limits. Developments with treasury counterparties are closely monitored, with detailed internal credit assessments performed annually on key counterparties, with limits reduced or suspended where there are adverse changes, including changes in the creditworthiness of counterparties or markets.

#### Treasury credit exposure profile (Audited)

Treasury assets comprise cash and balances with the Bank of England, loans and advances to credit institutions and debt securities. The majority of liquidity continues to be held in UK central bank reserves.

All of the Group's treasury exposures, outside of balances held with the central clearing house, remain at investment grade as set out below:

	Exposure value by Moody's rating				Total £m
	Aaa-Aa3 £m	A1-A3 £m	Baa1-Baa3 £m	Unrated £m	
<b>2025 (Audited)</b>					
Central banks and sovereigns <sup>1</sup>	12,757	—	—	—	12,757
Multilateral development banks (supranational bonds)	473	—	—	—	473
Financial institutions <sup>2</sup>	276	310	38	13	637
Mortgage backed securities	24	—	2	3	29
<b>Total</b>	<b>13,530</b>	<b>310</b>	<b>40</b>	<b>16</b>	<b>13,896</b>

1. Of the balance with central banks and sovereigns, £9,341 million was held by the Society.

2. Of the balance with financial institutions, £154 million at Aaa-Aa3 and £117 million A1-A3 was held by the Society.

	Exposure value by Moody's rating				Total £m
	Aaa-Aa3 £m	A1-A3 £m	Baa1-Baa3 £m	Unrated £m	
<b>2024 (Audited)</b>					
Central banks and sovereigns	10,270	—	—	—	10,270
Multilateral development banks (supranational bonds)	19	—	—	—	19
Financial institutions	9	123	—	303	435
Mortgage backed securities	—	—	—	—	—
<b>Total</b>	<b>10,298</b>	<b>123</b>	<b>—</b>	<b>303</b>	<b>10,724</b>

The majority of treasury assets continue to be held within the UK. The geographical domicile of the Group's treasury assets is shown below:

	Treasury assets				Total liquid assets £m	Of which, debt securities		
	Sovereign £m	Supranationals £m	Financial institutions £m	Mortgage backed securities £m		Book value £m	Market value movement £m	Fair value £m
<b>2025 (Audited)</b>								
United Kingdom	12,696	—	460	29	13,185	962	(72)	890
Supranationals <sup>1</sup>	—	473	—	—	473	454	19	473
Europe	61	—	5	—	66	60	1	61
Rest of the World	—	—	172	—	172	140	1	141
<b>Total</b>	<b>12,757</b>	<b>473</b>	<b>637</b>	<b>29</b>	<b>13,896</b>	<b>1,616</b>	<b>(51)</b>	<b>1,565</b>

1. Supranationals relate to amounts held with various Multilateral Development Banks.

# Risk Categories continued

## Credit risk continued

	Treasury assets					Of which, debt securities		
	Sovereign £m	Supranationals £m	Financial institutions £m	Mortgage backed securities £m	Total liquid assets £m	Book value £m	Market value movement £m	Fair value £m
<b>2024 (Audited)</b>								
United Kingdom	10,270	—	290	—	10,560	530	(47)	483
Supranationals <sup>1</sup>	—	19	—	—	19	19	—	19
Europe	—	—	135	—	135	—	—	—
Rest of the World	—	—	10	—	10	—	—	—
<b>Total</b>	<b>10,270</b>	<b>19</b>	<b>435</b>	<b>—</b>	<b>10,724</b>	<b>549</b>	<b>(47)</b>	<b>502</b>

1. Supranationals relate to amounts held with the European Investment Bank (guaranteed by a number of European sovereigns).

### Treasury credit risk mitigation

The Group enters into derivative transactions for risk management purposes. It undertakes sale and repurchase (repo) transactions to manage liquidity and raise longer-term funding, where highly rated assets such as gilts are sold with an agreement to repurchase at an agreed price at a later date. Counterparty credit risk includes the risk of default by the derivative counterparty and the risk that cash received in a repo transaction is less than the market value of the asset.

The Group manages this risk by undertaking credit assessments of all counterparties and by exchanging collateral to mitigate any exposure. Daily collateralisation of repo transactions is carried out in accordance with the Global Master Repurchase Agreements to mitigate net exposure arising from changes in market value. Similarly, all derivatives have Credit Support Annexes (CSAs) in place to collateralise the net mark-to-market credit exposures.

The Group has entered into International Swaps and Derivatives Association (ISDA) master netting agreements for all of its derivatives (other than swaps undertaken by the Group's securitisation funding programmes). These allow the Group to settle exposures 'net' in the event of a default or other predetermined event.

The Group is subject to mandatory central clearing of derivatives through a third-party regulated central clearing counterparty to reduce systemic and operating risk. Under this, collateral is exchanged on a daily basis. The Group may still enter into swaps that are not currently cleared by any of the central clearing houses, e.g. cross currency swaps; these may be subject to daily exchange of collateral to better manage counterparty risk.

The Group's covered bond programmes and Economic Master Issuer plc enter into swaps under separate ISDA agreements. Each agreement includes a CSA which provides for collateralisation of the swap exposure.

The derivative exposures can only be settled net following a default or other predetermined event, and therefore exposures are presented gross on the Balance Sheet.

As at 31 December 2025, the Society has £1 million derivative net credit exposures (2024: nil).

More information is included in note 34 to the accounts.

### Analysis of treasury assets by IFRS 9 stage and impairment

No allowance for losses has been recognised for treasury assets in either the current or prior year, and all are classified as low-to-medium risk and within stage 1. The Group has applied the low credit risk exemption available within IFRS 9 to treasury assets with an external rating of investment grade and to assets which the Group classifies as investment grade.

Accordingly, at each balance sheet date, it is assumed that credit risk on all such financial assets has not increased significantly since initial recognition. The 'low credit risk exemption' has not been applied to any other type of financial asset.

### Treasury credit risk outlook

The Group's consistent low risk approach to treasury credit risk is anticipated to provide continued protection to the Group and its members and customers from credit risk arising on its treasury portfolio.

# Risk Categories continued

## Market risk

Market risk is the risk of a reduction in earnings and/or value resulting from adverse movements in financial markets. Market risk only arises in the banking book as the Group does not hold a trading book.

Interest rate risk in the banking book includes re-price, option and basis risk. The Group is also subject to credit spread risk in the banking book and foreign currency risk.

The main source of market risk to which the Group is exposed to is re-price risk.

### Management of market risk

The Board has overall responsibility for determining the appetite to market risks, including interest rate risk in the banking book (IRRBB). The Chief Financial Officer and Treasurer are responsible for managing and monitoring current and emerging market risks. This is overseen by the Market Risk Committee, ALCO, BRC and ultimately the Board.

Market risk is managed by specifying risk tolerances and operating within these limits, using derivatives, such as interest rate swaps, or matching offsetting assets and liabilities. The Group maintains adequate margin capacity through administered rates, and invests its reserves, non-interest bearing, and some of its interest rate insensitive liabilities in fixed rate assets to reduce income volatility.

### Re-price risk

The Group is exposed to the risk that interest rates change and its assets and liabilities re-price on different dates, resulting in a negative impact to the future net interest income or the value of the balance sheet. This risk is managed by limiting the impacts of different interest rate shocks.

The impact on the economic value of assets and liabilities under parallel and non-parallel interest rate shock scenarios is monitored across the Group.

The Group monitors its exposure against the prescribed shocks of the Basel Committee on Banking Supervision (BCBS) outlier tests monthly and the Board sets limits for the maximum change in the economic value of equity beneath the regulatory limit.

In addition to the economic value measures, the impact of various interest rate scenarios on net interest income, i.e. an earning measure is monitored.

The Group uses structural hedges to manage net interest sensitivity arising from its reserves, non interest bearing, and some of its interest rate insensitive balances. The structural hedges have a number of Board approved parameters that limit the size, duration and concentration of maturities within each hedge.

Shock applied	2025 £m	2024 £m
Impact on present value of assets and liabilities at year end from a parallel change in yield curve:		
+100 basis points shift (EV 100)	2	3
-100 basis points shift (EV 100)	(2)	(3)
+200 basis points shift (EV 200)	35	28
-200 basis points shift (EV 200)	(39)	(31)
Impact on net interest income for the year from a parallel change in yield curve:		
+100 basis points shift	6	11
-100 basis points shift	(9)	(11)

The table above shows the exposure to re-price risk against a range of value and earnings-based assessments as at 31 December 2025. The relatively small change in value and net interest income measures provides insight into the modest amount of re-price risk the Group runs. The balance sheet is positioned so that net interest income increases should interest rates rise, i.e. net interest income reduces from falling interest rates. The sensitivity of the economic value to the different interest rate shocks is driven by pre-hedged customer flow positions and separate assumptions on how they will complete under each shock.

### Product option risk

The Group is exposed to the risk that arises when interest rate changes result in a financial incentive for a customer to exercise an option on a fixed rate product and hedging has to be adjusted at adverse rates. The key behavioural assumptions made are:

- Rate of prepayment of fixed rate mortgages.
- Rate of withdrawal of fixed rate savings.
- Rate of conversion of fixed rate mortgage pipeline.

Prepayment risk is quantified and assessed using a set of bespoke models that, based on historical experience, attempt to predict customer behaviour in response to changes in interest rates, which are back tested. It is mitigated by appropriate redemption or early withdrawal charges.

Pipeline risk is managed through dynamic hedging of the Group's estimate of likely sales and timing using a conversion model and applying stressed assumptions. Final hedging adjustments are made once the completion onto a product has ceased.

# Risk Categories continued

## Market risk continued

### Basis risk

The Group is exposed to the risk that interest rates change and floating rate liabilities re-price by different amounts than to its assets such that it is negatively impacted. Basis risk is managed by offsetting assets and liabilities by their reference rate and ensuring that earnings sensitivity to market rates diverging from the Bank of England Base Rate remain within limits. The primary short-term interest rate benchmark that the Group is exposed to is Sterling Overnight Index Average (SONIA).

### Credit spread risk

Credit spread risk in the banking book is the risk arising from changes in the market value of financial assets due to fluctuations in their credit spread. Beyond cash, the Group holds securities for the high quality liquidity buffer which are held at fair value through other comprehensive income (FVOCI). This risk is managed through a limit which caps the change in the market value of both fixed and floating rate assets under a shock to credit spreads.

### Foreign currency risk

The Group raises non-sterling funding to ensure wholesale funds are obtained cost-effectively across a wide pool of potential providers. However, this exposes the Group to the risk of a change in the value of foreign currency denominated liabilities. Cross currency swaps are entered into in order to fully hedge the foreign exchange risk. Both pre- and post-hedged exposures are managed within limits.

Additionally, currency risk is incurred by facilitating customer hedging and incidental customer transactions. To manage this risk, an overall maximum notional net sterling position limit is set of overnight exposures. This is supported by applying sub-limits to currencies by tier to reflect their liquidity. Further information is included in note 26 to the accounts.

### Market risk outlook

The Bank of England reduced Base Rate by a total of 100 basis points through 2025. This was a slightly faster pace than anticipated by financial markets at the end of 2024 and was supported by the central bank's forecast that inflation would continue to fall back towards the 2% target over the medium-term. Following the 2025 UK Budget, the outlook for base rate through 2026 is less certain. Whilst growth has proved to be more resilient than expected, with monthly GDP seeing a rebound following the Budget, inflation remains sticky and ahead of the Bank of England target. Wage growth also remains elevated despite evidence of a rise in unemployment.

The Group is satisfied that the controls outlined above will mean that market risk remains within appetite.

## Liquidity and funding risk

Liquidity risk is the risk that the Group has insufficient funds to meet its obligations as they fall due. Funding risk reflects an inability to access funding markets or to do so only at excessive cost.

Both risks are managed on a Group basis (including all subsidiary entities) with day-to-day responsibility delegated to the Chief Financial Officer and Treasurer, with oversight provided by the Liquidity Management Committee, ALCO, BRC and the Board.

### Management of funding risk

The Group ensures that it is not reliant on any single source or funding provider to manage funding risk. It maintains a strong and diversified funding base with access to a range of wholesale funding markets. This reflects the Group's size and the building society business model.

Following the acquisition of the Bank, retail funding continues to form the bulk of the funding base and consists of a mix of variable rate products, personal and business current accounts, fixed rate bonds and ISAs. The Group raises deposits from a broad customer base which is spread throughout the UK and through both Society and Bank brands.

Over 2020 and 2021, both the Society and Bank accessed the Bank of England Term Funding Scheme with additional incentives for SMEs (TFSME) to further reduce funding costs and diversify exposures. A total of £10.5 billion was drawn. All of those funds have now been repaid, excluding £0.26 billion linked to the Bank's Bounce Bank Loan Scheme (BBLs) lending, which is due for repayment in 2027.

A funding risk framework is in place, which includes a series of Board Risk Appetite Metrics, Key Risk Indicators and monitoring metrics that ensure a prudent funding mix. This includes avoiding excessive exposure to wholesale funding and maturity concentrations.

### Management of liquidity risk (Audited)

The Group ensures it holds sufficient quality and quantity of liquidity to remain a going concern after a severe but plausible stress. In turn, this ensures that it meets regulatory requirements set by the PRA. The level of stress applied is dynamically assessed based on an assessment of risks run by the Group and the prevailing economic and market liquidity backdrop.

The business model inherently involves 'maturity transformation' as it borrows, or takes deposits, for shorter terms than its lending. This mismatch could, in certain stress circumstances, give rise to liquidity risk if the Group was unable to raise new funding or replace existing funding at maturity because of either a liquidity crisis in the capital markets and/or a loss of member confidence that causes a severe outflow of retail funding at that time.

# Risk Categories continued

## Liquidity and funding risk continued

The Internal Liquidity Adequacy Assessment Process (ILAAP) is completed to ensure that the Group holds sufficient liquidity to cover this risk. The ILAAP is approved by the Board and confirms the quantum and mix of liquidity that the Group must hold based on point in time ('spot') and business forecasts. These spot and forecast liquidity levels are monitored by the Liquidity Management Committee, ALCO and BRC, and overseen by the Board. Whilst the ILAAP process is usually completed on an annual basis, due to the acquisition and as agreed with the regulator, the first Group ILAAP will be submitted in March 2026, based on a September 2025 position.

The Group Recovery Plan outlines a menu of actions that can be executed to mitigate against the impact of both capital and liquidity stresses.

The Group, Society and Bank all held a significant buffer above regulatory liquidity requirements throughout 2025.

### Liquidity resources

The Group's liquidity resources includes funds held in the Bank of England reserve account, other highly marketable assets and contingent liquidity. They are managed based on the prudent estimation of the expected time taken to acquire cash funding in a stress situation.

The Group monitors compliance against Liquidity Coverage Ratio (LCR) requirements on a daily basis. The 12-month rolling average LCR for Group at 31 December 2025 is 230% (2024: 258%).

The Net Stable Funding Ratio (NSFR) is a measure that compares the stability of the Group's asset and liability base. The Group holds sufficient stable funding to meet the regulatory requirement of 100% NSFR.

As at 31 December 2025, total cash and High Quality Liquid Assets (HQLA) remains high, with the majority of assets held as cash at the Bank of England.

### Liquidity adequacy and stress testing

The ILAAP ensures that the Group holds sufficient liquidity both to meet minimum regulatory requirements such as the LCR and to comply with the Internal Liquidity Adequacy Assessment (ILAA) Rules, including the Overall Liquidity Adequacy Rule.

The ILAAP explains the assumptions used in liquidity stress tests, including the rationale for their selection and calibration. These assumptions are specific to the Group, including depositor history and forecast behaviour in stress. The funding model means that the main liquidity risks would relate to significant unexpected withdrawals of retail deposits, the impact of any credit risk downgrade and a lack of access to wholesale funding markets.

The ILAAP is reviewed by the PRA. Following this, the PRA provides Individual Liquidity Guidance which sets out the liquidity that the PRA requires the Group, Society and Bank to hold, including any add-ons for liquidity risks that are not adequately captured by the LCR.

The Group continued to meet all regulatory liquidity requirements throughout the year.

# Risk Categories continued

## Liquidity and funding risk continued

### Wholesale funding

During 2025, the Group issued one Residential Mortgage Backed Security transaction (with total bonds issued of £500 million) and £1,200 million in covered bonds.

Overall, the wholesale funding at 31 December 2025 has increased by £841 million as a result of the acquisition of the Bank, offset by the repayment of TFSME during the year.

(Audited)	Notes to the accounts	2025		2024	
		£m	%	£m	%
Deposits from banks, including repo agreements	24	2,745	24.3	1,867	17.8
Amounts drawn under the Term Funding Scheme	24	264	2.3	2,065	19.7
Debt securities in issue					
Medium term notes	25	2,412	21.3	2,067	19.7
Covered bonds	25	4,168	36.8	2,866	27.4
Residential Mortgage Backed Securities	25	1,727	15.3	1,610	15.4
<b>Total</b>		<b>11,316</b>	<b>100.0</b>	<b>10,475</b>	<b>100.0</b>

Wholesale funding outstanding at 31 December 2025 remained primarily denominated in sterling as shown below:

(Audited)	GBP £m	EUR £m	Total £m
Deposits from banks, including repo agreements	2,745	—	2,745
Amounts drawn under the Term Funding Scheme	264	—	264
Debt securities in issue			
Medium term notes	1,975	437	2,412
Covered bonds	2,203	1,965	4,168
Residential Mortgage Backed Securities	1,727	—	1,727
<b>Total as at 31 December 2025</b>	<b>8,914</b>	<b>2,402</b>	<b>11,316</b>
Total as at 31 December 2024	8,201	2,274	10,475

All of the euro denominated covered bonds have been swapped back into sterling.

The expected maturity analysis for wholesale funding is shown below, based on the earlier of first call date or contractual maturity.

(Audited)	2025		2024	
	£m	%	£m	%
Less than one year	4,053	35.8	4,487	42.8
One to two years	2,172	19.2	1,559	14.9
Two to five years	4,947	43.7	3,550	33.9
More than five years	144	1.3	879	8.4
<b>Total</b>	<b>11,316</b>	<b>100.0</b>	<b>10,475</b>	<b>100.0</b>

# Risk Categories continued

## Liquidity and funding risk continued

### Contractual maturity profile of financial assets and liabilities

The table below analyses the carrying value of financial assets and financial liabilities based on the remaining contractual life to the maturity date. In practice, the contractual maturity will differ to actual repayments; 'on demand' customer deposits will be repaid later than the earliest date on which repayment can be requested and mortgages may be repaid ahead of their contractual maturity. Overall, the net liquidity gap increased during the year.

Group At 31 December 2025 (Audited)	Repayable on demand £m	Up to 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
<b>Assets</b>						
Cash and balances with the Bank of England	11,948	—	—	—	—	11,948
Loans and advances to credit institutions	358	—	—	—	25	383
Debt securities	—	118	335	811	301	1,565
Loans and advances to customers	84	1,474	3,235	16,017	52,126	72,936
Hedge accounting adjustment	1	4	51	121	(8)	169
Derivative financial instruments	10	8	115	329	71	533
Investment in equity shares	—	—	—	—	5	5
<b>Total financial assets</b>	<b>12,401</b>	<b>1,604</b>	<b>3,736</b>	<b>17,278</b>	<b>52,520</b>	<b>87,539</b>
<b>Liabilities</b>						
Shares	30,674	1,207	13,384	5,104	461	50,830
Customer accounts	18,112	586	1,780	414	—	20,892
Sale and repurchase agreements <sup>1</sup>	61	993	964	500	—	2,518
Amounts drawn under TFSME <sup>1</sup>	3	—	—	261	—	264
Deposits from banks - other	225	2	—	—	—	227
Secured debt securities in issue - RMBS and covered bonds	—	8	1,147	4,737	—	5,892
Senior unsecured debt funding	5	14	665	1,589	142	2,415
Hedge accounting adjustment	—	—	16	13	—	29
Derivative financial instruments	2	4	50	244	20	320
Subordinated liabilities	—	2	10	220	16	248
Subscribed capital	—	2	—	—	40	42
<b>Total financial liabilities</b>	<b>49,082</b>	<b>2,818</b>	<b>18,016</b>	<b>13,082</b>	<b>679</b>	<b>83,677</b>
<b>Net liquidity gap (contractual)</b>	<b>(36,681)</b>	<b>(1,214)</b>	<b>(14,280)</b>	<b>4,196</b>	<b>51,841</b>	<b>3,862</b>

1. Included in Deposits from banks on the Balance Sheet.

# Risk Categories continued

## Liquidity and funding risk continued

### Contractual maturity profile of financial assets and liabilities continued

Group At 31 December 2024 (Audited)	Repayable on demand £m	Up to 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
<b>Assets</b>						
Cash and balances with the Bank of England	9,893	–	–	–	–	9,893
Loans and advances to credit institutions	329	–	–	–	–	329
Debt securities	–	57	25	295	125	502
Loans and advances to customers	64	917	2,652	12,787	35,382	51,802
Hedge accounting adjustment	–	(2)	(51)	(370)	(25)	(448)
Derivative financial instruments	7	12	194	775	96	1,084
Investment in equity shares	–	–	–	–	9	9
<b>Total financial assets</b>	<b>10,293</b>	<b>984</b>	<b>2,820</b>	<b>13,487</b>	<b>35,587</b>	<b>63,171</b>
<b>Liabilities</b>						
Shares	27,982	1,930	13,481	5,515	435	49,343
Customer accounts	–	76	6	–	–	82
Sale and repurchase agreements <sup>1</sup>	–	301	203	500	–	1,004
Amounts drawn under TFSME <sup>1</sup>	–	25	2,040	–	–	2,065
Deposits from banks - other	860	2	–	–	–	862
Secured debt securities in issue - RMBS and covered bonds	–	508	203	3,278	487	4,476
Senior unsecured debt funding	–	10	359	1,309	390	2,068
Hedge accounting adjustment	–	–	121	(149)	(40)	(68)
Derivative financial instruments	–	–	68	190	47	305
Subordinated liabilities	–	–	–	15	–	15
Subscribed capital	–	2	–	–	40	42
<b>Total financial liabilities</b>	<b>28,842</b>	<b>2,854</b>	<b>16,481</b>	<b>10,658</b>	<b>1,359</b>	<b>60,194</b>
<b>Net liquidity gap (contractual)</b>	<b>(18,549)</b>	<b>(1,870)</b>	<b>(13,661)</b>	<b>2,829</b>	<b>34,228</b>	<b>2,977</b>

1. Included in Deposits from banks on the Balance Sheet.

Gross contractual cash flows payable under financial liabilities are analysed further below. This analysis differs from the analysis of contractual maturity as it includes interest accrued for the period to maturity on the balance outstanding at the Balance Sheet date. Principal payments are included based on the earlier of first call date, accessible date or contractual maturity. The undated Subscribed capital is included in the 'More than 5 years' column but with no accrued interest after this date. In the prior year, only a Group table is presented as the Society owned the majority of the Group's liabilities.

Group At 31 December 2025 (Audited)	Up to 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
<b>Liabilities</b>					
Shares	31,891	13,580	5,147	461	51,079
Customer accounts	18,724	1,824	422	–	20,970
Deposits	1,293	996	780	–	3,069
Debt securities in issue	144	2,441	8,071	181	10,837
Other liabilities and adjustments	105	541	912	14	1,572
Subordinated liabilities	1	24	263	–	288
Subscribed capital	2	2	19	41	64
<b>Total liabilities</b>	<b>52,160</b>	<b>19,408</b>	<b>15,614</b>	<b>697</b>	<b>87,879</b>

Society At 31 December 2025 (Audited)	Up to 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
<b>Liabilities</b>					
Shares	31,891	13,580	5,147	461	51,079
Customer accounts	36	10	–	–	46
Deposits	1,055	524	516	–	2,095
Debt securities in issue	137	2,147	7,354	181	9,819
Other liabilities and adjustments	54	230	163	–	447
Subordinated liabilities	1	24	263	–	288
Subscribed capital	2	2	19	41	64
<b>Total liabilities</b>	<b>33,176</b>	<b>16,517</b>	<b>13,462</b>	<b>683</b>	<b>63,838</b>

# Risk Categories continued

## Liquidity and funding risk continued

### Contractual maturity profile of financial assets and liabilities continued

Group At 31 December 2024 (Audited)	Up to 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
<b>Liabilities</b>					
Shares	29,908	13,687	5,582	435	49,612
Customer accounts	62	6	446	323	837
Deposits	1,238	1,392	535	—	3,165
Debt securities in issue	606	826	4,552	467	6,451
Other liabilities and adjustments	41	282	162	11	496
Subordinated liabilities	1	1	17	—	19
Subscribed capital	3	2	19	40	64
<b>Total liabilities</b>	<b>31,859</b>	<b>16,196</b>	<b>11,313</b>	<b>1,276</b>	<b>60,644</b>

### Asset encumbrance

The Group's mortgages and treasury assets can be used to support collateral requirements for secured funding, central bank operations or third-party repo transactions. Mortgages or treasury assets used in this way are referred to as encumbered. Encumbrance provides cheaper and more stable funding; however it creates the risk that savings members and other senior unsecured creditors may be unable to benefit from the liquidation of encumbered assets in the event of insolvency of the Group, and may risk bearing losses from a forced sale of the encumbered assets in the event of default. While these risks are very remote, limits on encumbrance are set by the Board and encumbrance levels are managed within these limits. Asset encumbrance at 31 December 2025 is set out in the table below.

	Encumbered		Unencumbered		Total £m
	Pledged as collateral <sup>1</sup> £m	Other <sup>2</sup> £m	Available as collateral <sup>3</sup> £m	Other <sup>4</sup> £m	
Cash and balances with the Bank of England	—	342	11,606	—	11,948
Loans and advances to credit institutions	327	—	—	56	383
Debt securities	609	—	926	30	1,565
Loans and advances to customers	14,153	—	11,598	47,185	72,936
Hedge accounting adjustments	—	—	—	169	169
Derivative financial instruments	—	—	—	533	533
Other assets	—	—	—	705	705
<b>Total as at 31 December 2025</b>	<b>15,089</b>	<b>342</b>	<b>24,130</b>	<b>48,678</b>	<b>88,239</b>
Total as at 31 December 2024	14,342	71	16,323	33,296	64,031

1. Assets that have been used to support interest rate swap collateralisation agreements, third-party secured funding operations, central bank operations or third-party repo transactions, and cannot be used for any other purpose.

2. Other encumbered assets are assets that cannot be used for secured funding due to legal or other reasons. This includes cash and assets supporting secured funding vehicles.

3. These assets are readily available as collateral to secure funding. Loans and advances to customers in this category comprise Bank of England approved portfolios, and those that although technically encumbered are held in respect of retained self-issued notes in the Society's covered bond and securitisation programmes.

4. Unencumbered other assets are therefore conservatively defined as not readily available for use as collateral. The Loans and advances to customers in this category include £28.4 billion at 31 December 2025 (2024: £19.9 billion) which would be eligible for use to support future external or self-issuance under the Group's covered bond and securitisation programmes. A proportion of the remaining balance would also be suitable for such purpose subject to amending the programme structures.

### External credit ratings

In December 2025, Moody's reaffirmed the Society's unsecured long- and short-term ratings at A3 and P-2, with the outlook maintained as stable. Fitch upgraded the Society's outlook from negative to stable, with prevailing ratings reaffirmed. The Society's unsecured short- and long-term credit ratings as at the date of approval of the Annual Report & Accounts are set out below:

(Audited)	Long-term	Short-term	Outlook	Date of last credit opinion
Moody's	A3	P-2	Stable	December 2025
Fitch	A-	F1	Stable	October 2025

### Liquidity and funding risk outlook

The Group remains committed to prudent liquidity levels and funding levels, raising funds via retail savings and wholesale markets. The Group has less than £0.3 billion of TFSME drawings remaining, acquired with the Bank relating to the Bounce Back Loan Scheme to support small businesses affected by Covid-19. Funding continues to be targeted from both retail and wholesale markets with specific products and instruments targeted for their relative benefit to the business strategy, such as diversification and relative stability. The Group's wholesale funding plan considers recent regulation updates (in particular the threshold for the leverage ratio to bind), maintaining investor appetite across instruments and currencies as well as the impact on the ratings of senior debt.

# Risk Categories continued

## Capital risk

### Introduction

Capital risk is the risk that the Group has insufficient capital resources to absorb losses in benign or stressed conditions, fails to meet prudential regulations and expectations, or is unable to recapitalise in the event of resolution. It is a principal risk within the Enterprise Risk Management Framework (ERMF) and risk appetite limits are approved by the Board.

Additional capital disclosures are available in the Group's 2025 Pillar 3 Disclosures at [www.thecoventry.co.uk](http://www.thecoventry.co.uk).

### Management of capital

The primary governance forum for the management of capital is the Assets & Liabilities Committee (ALCO), with delegated authority from the Board Risk Committee (BRC) and supported by the Capital Management Committee (CMC), a sub-committee of ALCO. The first line risk owner is the Chief Financial Officer (CFO), with second line oversight owned by the Chief Risk Officer (CRO).

The Group regularly monitors its capital position against Board approved risk appetite limits, recovery plan early warning indicators (R-EWIs), and prescribed regulatory minima. This monitoring is conducted against the current position as well as forecast values, with escalation procedures in place should any of these limits trigger.

The Group performs an Internal Capital Adequacy Assessment Process (ICAAP), in which it considers the key risks to which it is exposed and the capital required to mitigate such risks. As part of the ICAAP, the Group assesses its capital adequacy over the planning horizon under base case strategic plan assumptions, as well as severe but plausible stresses using scenarios provided either by the regulator or developed internally. Whilst the ICAAP process is usually completed on an annual basis, due to the acquisition and as agreed with the regulator, the first Group ICAAP will be submitted in March 2026, based on a September 2025 position.

Stress testing is conducted to ensure the Group maintains sufficient capital to withstand a severe but plausible stress, and to identify mitigating management actions that can be taken.

Reverse stress testing is also conducted to identify extreme events that have the capacity to 'break' the Group. This process helps identify risks and control mechanisms which might otherwise be missed.

## Capital adequacy

### Risk weighted capital requirements

UK Capital Requirements Directive V (CRD V) requires the Society to maintain a CET 1 ratio of at least 4.5%, a Tier 1 capital ratio of at least 6% and a total minimum capital ratio of 8%. Taken together, these ratios are known as the Pillar 1 requirement.

The Pillar 2 capital requirement reflects wider risks within the Group's ICAAP assessment and any capital additions arising from the supervisory review of those assessments. The Group's combined Pillar 1 and Pillar 2 requirement is represented by its Total Capital

Requirement (TCR), which is set by the PRA. The TCR for the Group, set following the acquisition of the Bank, equates to 11.5% of risk weighted assets (RWAs), or £1.7 billion based on year end RWAs (2024: 10.6% of RWAs or £1.0 billion). The Group comfortably meets this requirement out of its CET 1 capital resources.

CRD V also requires lenders to hold supplementary capital buffers, to be met from CET 1 capital. As at 31 December 2025, these were:

- A Capital Conservation Buffer (CCoB) of 2.5%.
- A macro-prudential Countercyclical Buffer (CCyB) at 2%.

In addition, a PRA buffer may be applied depending on the outcome of the severe but plausible stress tests.

The Group uses the IRB basis for the majority of its retail mortgage and commercial portfolios. IRB models are used to calculate capital requirements for owner-occupier and buy to let mortgage exposures, cards, overdrafts and the majority of the commercial lending book, which includes its housing association, PFI and commercial real estate portfolios. These accounted for around 98% of lending exposures throughout 2025 (2024: 100%).

The Group follows the standardised approach for all other lending exposures and for operational risk. The standardised approach uses capital risk weighting percentages set by CRD V.

### Leverage ratio

The leverage ratio measures Tier 1 capital against total exposures, including off-balance sheet items. It is a non risk-based measure designed to act as a backstop to the risk-based capital ratios.

The PRA published Policy Statement 22/25 in the second half of the year, which increased the threshold for the application of the UK leverage ratio regulatory requirement from £50 billion of retail deposits to £75 billion. The Group does not currently have retail deposits in excess of £27 billion and does not expect to exceed £75 billion in the foreseeable future.

Nonetheless, the PRA expects that a minimum ratio of 3.25% is maintained at all times by all firms. This requirement is calculated on the basis that the exposure measure excludes any central bank exposure with a maturity less than three months and that no more than 25% of Tier 1 resources is met by AT 1 capital.

# Risk Categories continued

## Capital risk continued

### Minimum Requirement for own funds and Eligible Liabilities (MREL)

A Minimum Requirement for own funds and Eligible Liabilities (MREL) has been introduced by regulators to ensure that taxpayers no longer absorb losses when a bank or building society fails. MREL requirements are set to reflect how complex or important an institution is to the wider economy.

The Group meets an MREL requirement of twice its binding capital requirement (i.e. two times Pillar 1 plus Pillar 2a), which currently equates to 23% of RWAs. The Group is further required to meet capital buffers from CET 1, generating a total loss-absorbing requirement of 27.5%.

### Regulatory capital analysis

The Group calculates and maintains regulatory capital ratios on both a consolidated (including all subsidiary entities) and individual consolidated (or solo) basis for the Society and Bank.

The individual consolidated basis includes only those subsidiaries meeting particular criteria contained within CRD V. For the Society, this is the same basis as the Society's pre-acquisition Group position. The capital disclosures in this report are provided on a Group consolidated basis only.

Further information on capital management is included in the 2025 Pillar 3 Disclosures at [www.thecoventry.co.uk](http://www.thecoventry.co.uk).

## Risk weighted capital

The Group's capital position is set out below based on all CRD V requirements that were in force during 2025.

At 31 December 2025, and throughout the year, the Group complied in full with the capital requirements that were in force. On acquisition of the Bank, the updated pro-forma Group CET 1 ratio was 19.1%. The increase in capital as a result of retained profits in the period since then has been offset by an increase in RWAs of 3.0%, resulting in a small increase in the CET 1 ratio to 19.7% at 31 December 2025. Our CET1 ratio remains significantly ahead of the Total Capital Requirement for the Group, which was 11.5% of RWAs as at 31 December 2025.

The capital requirements include additional RWAs in the form of post model adjustments held for regulatory changes that are currently not reflected in the IRB models.

The Society and Bank had both submitted updated IRB models to the PRA in 2023. Our strategy following the acquisition is to move to a single Group IRB model. We have recently received feedback from the PRA on the models which had been submitted and we intend to incorporate this feedback into the build of our new Group model. We currently expect to submit our new Group IRB model at the end of 2027.

In the absence of PRA approved hybrid IRB models, the Group has concluded that its existing post model adjustments remain appropriate for inclusion in the

Group's calculation of RWAs until such time as a Group IRB model can inform a revised estimate. The exact timing and impact of any change remains uncertain.

When approval is granted, the final Group IRB model output RWAs may vary from those calculated currently, thereby impacting the capital ratios, and may effectively bring forward some of the effect of increasing RWAs envisaged by end-state Basel 3.1 impacts.

Basel 3.1 RWA floors are currently expected to be phased in from the introduction of the new regulations in 2027 and in time are expected to reduce the Group's reported CET 1 ratio, through increasing RWAs. Applying the Basel 3.1 RWA floors to the 31 December 2025 figures on a full transition, proforma basis would result in a CET 1 ratio of approximately 17.5%. However, on expected Basel 3.1 implementation in January 2027, the Group estimates a 0.4% increase to its pro-forma 31 December 2025 CET 1 ratio due to the removal of the IRB scalar of 1.06. The Group currently expects Basel 3.1 capital requirements to bind from 2028.

All known future capital requirement changes (including Basel 3.1 impacts) have been factored into the Group's Strategic Plan, ensuring we remain appropriately capitalised.

# Risk Categories continued

## Capital risk continued

	End-point 31 Dec 2025 £m	End-point 31 Dec 2024 £m
<b>Capital position</b>		
<b>Common Equity Tier 1</b>		
General reserve	3,506	2,754
Fair value through other comprehensive income reserve	–	(1)
Cash flow hedge reserve	118	210
<b>Common Equity Tier 1 prior to regulatory adjustments</b>	<b>3,624</b>	<b>2,963</b>
<b>Common Equity Tier 1 regulatory adjustments</b>		
Prudent additional valuation adjustment <sup>1</sup>	(2)	(1)
Intangible assets <sup>2</sup>	(232)	(49)
Deferred tax assets	(243)	–
Cash flow hedge reserve <sup>2</sup>	(118)	(210)
Pension fund surplus adjustment <sup>2</sup>	(20)	–
Excess of expected loss over impairment <sup>3</sup>	(100)	(66)
Foreseeable distributions <sup>4</sup>	(2)	(21)
<b>Common Equity Tier 1 (CET 1)</b>	<b>2,907</b>	<b>2,616</b>
<b>Additional Tier 1 (AT 1) capital</b>		
Additional Tier 1 - Perpetual Capital Securities	665	665
<b>Total Additional Tier 1 capital</b>	<b>665</b>	<b>665</b>
<b>Total Tier 1 capital</b>	<b>3,572</b>	<b>3,281</b>
<b>Tier 2</b>		
Subordinated debt	232	–
Permanent Interest Bearing Shares (PIBS)	42	40
Excess of provisions over expected loss	1	–
<b>Total Tier 2 capital</b>	<b>275</b>	<b>40</b>
<b>Total Capital</b>	<b>3,847</b>	<b>3,321</b>
<b>Risk weighted assets</b>		
<b>IRB approach</b>		
Credit risk - retail exposures	11,181	7,832
Credit risk - corporate exposures	823	–
<b>Standardised Approach</b>		
Credit risk - retail exposures	356	82
Credit risk - liquidity book	203	245
Credit risk - other	305	80
Credit valuation adjustment risk	59	55
Operational risk	1,833	1,046
<b>Total risk weighted assets</b>	<b>14,760</b>	<b>9,340</b>
<b>Common Equity Tier 1 ratio</b>	<b>19.7%</b>	<b>28.0%</b>

1. A prudent valuation adjustment is applied in respect of assets and liabilities held at fair value.

2. Items do not form part of regulatory capital.

3. The expected loss over accounting provisions is deducted, gross of tax.

4. Foreseeable distributions in respect of AT 1 securities are deducted, net of tax.

## Leverage ratio analysis

The Group's UK leverage ratio position on an end-point basis is set out below.

On acquisition of the Bank, the updated pro-forma Group UK leverage ratio was 4.4%. The leverage ratio has increased since then to 4.6%, as the increase in eligible Tier 1 capital was relatively larger than the increase in leverage ratio exposures.

# Risk Categories continued

## Capital risk continued

### Leverage ratio analysis continued

	End-point 31 Dec 2025 £m	End-point 31 Dec 2024 £m
<b>Leverage ratio</b>		
<b>Total Tier 1 capital - used in CRR calculation</b>	<b>3,572</b>	<b>3,281</b>
Adjustment for AT 1 restriction	(44)	(229)
<b>Total Tier 1 capital - used in UK calculation</b>	<b>3,528</b>	<b>3,052</b>
<b>Leverage ratio exposures</b>		
Total balance sheet assets	88,239	64,031
Retail: lending pipeline and other committed facilities <sup>1</sup>	637	383
Corporate: undrawn facilities <sup>1</sup>	228	–
Repurchase agreements <sup>2</sup>	109	80
Netted derivative adjustments <sup>3</sup>	(226)	(905)
Other adjustments <sup>4</sup>	(12)	(137)
Items included in the capital calculation	(590)	–
<b>Total leverage ratio exposures</b>	<b>88,385</b>	<b>63,452</b>
Adjustment to exclude central bank reserves	(11,978)	(9,787)
<b>Total leverage ratio exposure - used in UK calculation</b>	<b>76,407</b>	<b>53,665</b>
<b>CRR leverage ratio</b>	<b>4.0%</b>	<b>5.2%</b>
<b>UK leverage ratio</b>	<b>4.6%</b>	<b>5.7%</b>

1. Lending pipeline and undrawn or other committed facilities are calculated at the relevant credit conversion factor rate.

2. Repurchase agreements represent the extent to which collateral provided on repurchase agreements exceeds the amount borrowed.

3. The netted derivative adjustment figure converts the accounting value of derivatives to an exposure measure.

4. Other adjustments predominantly relate to asset balances that have already been included in the capital calculation and these are therefore removed from the total Balance Sheet assets figure.

### Capital outlook

The Basel 3.1 framework will be implemented and impact the Group from 1 January 2027, with the majority of rules confirmed in 2025.

Notwithstanding the increased uncertainty, the main impact for the Group is expected to be the introduction of an output floor which requires IRB firms to floor aggregate IRB outputs to a minimum of 72.5% of the corresponding RWA calculated under the revised standardised approach. This will be punitive for the Group as the equivalent risk weights under the standardised approach for owner-occupied and buy to let mortgages are much higher than under internal IRB models. The delayed implementation has resulted in a corresponding reduction in the transition period over which the output floor will be phased in, from an initial 60% from 1 January 2027 to the final 72.5% from 1 January 2030.

As a result, the Group expects the full implementation of the Basel 3.1 standard to see a significant reduction in reported CET 1 measures.

The leverage ratio and applicable buffers will become a regulatory capital requirement and MREL determinant only when the Group exceeds the existing £75 billion of retail deposits (last three years average) threshold.

Considerations and assumptions from Basel 3.1 have been included within the Group's Strategic Plan, which indicates that it will continue to have a surplus over all capital and MREL requirements, ensuring we remain financially resilient.

### Model risk

Model risk is defined as the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. These adverse consequences could lead to a deterioration in the prudential position, non-compliance with applicable laws and/or regulations, or damage to a firm's reputation. Model risk can also lead to financial loss, as well as qualitative limitations such as the imposition of restrictions on business activities.

#### Model risk profile

The Group is exposed to model risk in relation to its credit risk, financial, product, and economic crime models. Models are utilised in a range of contexts, including credit decisioning, calculation of regulatory capital requirements for credit risk, and the application of accounting standards such as IFRS 9. Whilst the acquisition of the Bank has broadened the model risk profile, the relative simplicity of the Group's business model reduces the extent of exposure to model risk.

However, the Group still considers it important that robust model risk management practices are applied.

# Risk Categories continued

## Model risk continued

### Management of model risk

The Group has a Board approved policy on model risk, which defines the standards to be applied to mitigate model risk. This policy is supported by the Model Risk Framework (MRF), approved by the Board Risk Committee. The MRF defines key governance requirements and processes for the material models used throughout the Group. The Chief Risk Officer is accountable for managing model risk within the Group.

The Model Risk Committee (MRC), chaired by the Head of Financial & Model Risk, oversees the management of model risk, and is responsible for ensuring the Group's exposure to model risk remains within the appetite prescribed by the Board. MRC is supported by two technical sub-fora, the Credit Models Risk Forum and the Financial Model Risk Forum.

The MRF prescribes requirements that must be met in order for the most critical models to be used within the Group.

These requirements are tailored to the potential impact of each model on the Group, with more extensive requirements for the most critical models.

Model risk management controls include:

- The requirement for all critical models to be approved for use by MRC.
- Independent model validation, with increased validation activity carried out for higher criticality models.
- Model risk standards in relation to model development, testing, validation, monitoring, documentation and use.
- Governance around model assumptions, overlays, compliance and data.
- Model overview statements which identify conditions when the models may fail.

For regulatory capital models, an annual self-assessment against Capital Requirements Regulations and applicable PRA Supervisory Statements is undertaken in order to attest to the models' compliance with prevailing regulations.

### Model risk outlook

The PRA supervisory statement SS1/23 'Model risk management principles for banks' came into effect in May 2024. It sets out the PRA's expectations in relation to banks' and building societies' model risk management practices. Whilst many of the expectations align to the Group's existing practices, we have undertaken a self-assessment of our model risk management practices against the supervisory statement, and are undertaking work to enhance the Group's model risk management practices where relevant.

Activities are underway to consolidate the model estate through development of Group-wide models. These are part of a medium-long term plan and will ensure that risk is managed in an integrated and consistent manner.

## Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people, systems, or from external events that disrupt business operations.

The Group has a limited appetite for operational risk, aiming to minimise financial, member and customer, reputational and regulatory impact, but accepting operational risk as a consequence of operating the business. However, the Group does not accept operational risks that are unmanaged or uncontrolled, particularly those with the potential to cause material harm to customers, adversely impact financial performance, or undermine delivery of strategic objectives.

The operational risk principal risk category includes: technology & cyber; data; third party; legal; people; statutory, regulatory and financial reporting; payments; and premises risks. Operational risk categories are consistent with the Basel risk classifications, industry best practice and the Group's business model.

### Management of operational risk

The Non-Financial Risk Committee provides primary oversight of those risks included within the operational risk principal risk category, financial crime, conduct and compliance and operational resilience risks, with further oversight provided by Executive and Board risk committees and the Board.

Updates on the most significant operational risk categories are included below.

### Technology & cyber

The Group aims to maintain the stability, security and resilience of its technology estate, and in doing so, avoid member and customer disruption and reputational impacts arising from cyber attacks and IT outages.

During 2025, the Group continued to invest significantly in upgrading its IT estate and enhancing its digital capabilities, IT operations and security defences and will continue to do so in 2026.

### Data

The data risk transformation programme completed during 2024, having laid foundations for effective risk management through enhanced risk appetite, board reporting, risk policies and the definition and implementation of key controls. During 2025, the Group has been building on this through the creation of an enhanced multi-year data strategy and investment to increase internal capacity and capability in terms of process, technology and people.

# Risk Categories continued

## Operational risk continued

### Third party

The management of third party risk aims to ensure that risks arising from the use of suppliers are managed appropriately and meet regulatory requirements. This risk has been elevated in 2025 due to reliance on supplier led delivery increasing across the Group. This has been appropriately managed to remain inside appetite throughout 2025. Enhancements are underway to implement revised Group supplier risk management in 2026.

### Statutory, regulatory and internal financial reporting

The Group continues to deliver enhancements under its multi-year finance transformation programme to modernise, optimise and transform the finance operating model. In 2025 additional enhancements were made to regulatory reporting. Work continues to further enhance and integrate practices and systems across the Group during 2026.

### People

People risk has been an area of focus in 2025, as the Group works to create optimal structures, policies and practices for the future. In 2025, investment has been made to enhance relevant technology, maintain employee engagement and ensure continued compliance during a period of change. Consequently, the level of risk has been maintained within appetite throughout 2025.

## Summary of risk incidents

Risk incidents are reported in the Group's risk management systems.

In 2025, the total cost of risk incidents for the Group was £17.1 million (2024: £0.4 million), as set out below.

Operational risk by Basel category <sup>1</sup>	% of total volume		% of total losses	
	2025	2024	2025	2024
Execution, delivery and process management	21	33	16	16
Business disruption and system failure	—	10	—	5
External fraud	79	57	84	79
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Value of losses (£m)</b>			<b>17.1</b>	<b>0.4</b>

1. Losses less than £5,000 have been excluded.

## Strategic change risk

Strategic change risk is defined as the risk that strategic outcomes are not successfully delivered within agreed investment targets and/or change deliverables adversely impact the business operation across the Group.

The Group has elevated strategic change risk to a principal risk following the acquisition of the Bank. This is to reflect the volume and nature of change as a significant impact to the Group's risk profile over the coming years.

### Strategic change risk profile

Prior to the acquisition of the Bank, the first significant strategic change programme was initiated. The integration programme was established to facilitate the integration of the Bank into the Group in an organised and efficient manner and to achieve the desired integration outcomes and synergies.

At the time of the acquisition, the Bank was in progress with its key strategic programme, which is migrating core IT services into new, modern data centres while uplifting internal technology capability. In addition, the Bank change portfolio also had other significant change initiatives in progress, e.g. digital service enhancements and other technical remediation projects. The Society also had a significant change portfolio, including plans to re-platform the core IT services.

This combination of portfolios, plus future planned change, has significantly increased the strategic change risk profile for the Group.

### Management of strategic change risk

The Chief Operating Officer is accountable for managing strategic change risk across the Group, with independent oversight provided by the risk team.

Governance of strategic change risk is through the Board Change Committee, comprised of key Board members and the Group Executive. This committee provides delegated authority for the day-to-day management of strategic change through the Group Executive Change Committee (GECC), which is chaired by the Chief Operating Officer.

The Group has a Board approved policy on strategic change risk, which defines the standards to be applied to mitigate this risk. The policy is supported by a control standard that defines the minimum control requirements for mitigating the risks, as defined in the policy.

Strategic change risk management controls include:

- Approval for the annual portfolio of change that facilitates the delivery of the Group's strategy.
- Management of the portfolio costs to the approved annual budget approved by the Board.
- Oversight of the schedule of change delivery with reporting and escalation mechanisms.
- The use of appropriate methodologies dependent upon the nature of the change.
- Minimum standards for the consistent and timely assessment of risk.

# Risk Categories continued

## Strategic change risk continued

### Strategic change risk outlook

There is significant investment in change planned for the next few years. This is a combination of integration as well as remediation and uplift in technical infrastructure to enable the Group strategy.

Notably, these are:

- Completion of the integration programme and strategic project to transfer the Bank's data centres to a cloud based solution;
- Build-up of the programme to deliver a new customer ecosystem for the future of the Group;
- Regulatory and mandatory deliverables;
- Continued investment in the online and mobile digital service offerings to members and customers; and
- Ongoing technical remediation for legacy IT services and infrastructure.

As a result, strategic change risk management remains core to the successful management of the portfolio. As a principal risk in the Group's ERMF, there is significant focus on, and management of, strategic change risk, including the setting of an appropriate Board approved appetite supplemented with monthly reporting against a suite of risk metrics.

## Financial crime risk

Financial crime risk is the risk that Group products or services will be exploited for criminal conduct purposes, including:

- fraud or dishonesty including tax evasion and bribery or corruption; or
- misconduct in, or misuse of, information relating to a financial market; or
- handling the proceeds of crime; or
- the financing of terrorism or evading or circumventing of sanctions.

### Financial crime risk profile

The Group is exposed to financial crime risk as a result of our role in UK retail banking, resulting from our members and customers, third parties and their activity. The Group has implemented, embedded, and continues to invest in a robust control framework to ensure that financial crime risk, and any subsequent legal and regulatory risk, are managed within appetite.

### Management of financial crime risk

The Group's financial crime control framework is the cornerstone of the Group's risk management approach. This formalises the controls required to ensure that financial crime risk is identified, managed and mitigated in line with the Group's legal and regulatory obligations.

The control framework is founded on the Group's policies and standards. In line with the policy requirements, the Group deploy a suite of financial crime controls,

including due diligence, sanctions screening, fraud screening, training and quality checking. The execution and effectiveness of which are kept under review by first line as well as through second line oversight.

Financial crime risks, key risk indicator reporting and any key issues are identified and escalated through governance monthly to the Board as applicable.

### Financial crime risk outlook

The Group will continue to iterate and embed financial crime systems and controls, to keep pace with the evolving external environment and technology, regulatory expectations, and organised crime typologies. The Group continues to invest in people, technology and other key capabilities to support effective risk management.

## Conduct and compliance risk

Conduct and compliance risk is the risk that the Group's behaviour, decision making, or products and services result in poor outcomes for members and customers, undermine market integrity or breach regulatory standards and cause harm to members and customers, the Group or the financial system.

### Conduct and compliance risk profile

The Group's purpose is to power good with every pound and to be a champion for fairness and ethics. This, together with our mutual ownership model and values, drives decision making and activity supports delivery of good customer outcomes.

The Group continues to meet its conduct risk responsibilities and ensures the delivery of good outcomes for members and customers, taking responsibility to put things right where necessary. The Group received less complaints per 1,000 members and customers than the industry average. In 2025<sup>1</sup>, the combined Group received 2.02 complaints per 1,000 member or customer in the banking and credit sector, compared to the industry average of 3.67<sup>2</sup>.

### Management of conduct risk

The Group manages conduct and compliance risk through its Conduct and Compliance Risk Policy, which is designed to protect our members and customers by identifying, assessing and managing risks that could cause them harm (financial or non-financial) during their relationship with the Group.

The Product Governance Committee reviews all major product developments prior to launch and oversees wider product governance. This includes alignment with the needs of the identified target market, clarity of terms and conditions, consideration of the implications for customers with characteristics of vulnerability and the mitigation of any risks inherent in the products.

# Risk Categories continued

## Conduct and compliance risk continued

### Management of conduct risk continued

All colleagues are responsible for delivering good outcomes to our members and customers and meeting our responsibilities under The Consumer Duty.

Day-to-day management of conduct risk is the responsibility of all of the Group's senior and functional management teams. Oversight is provided by the Non-Financial Risk Committee (NFRC), membership of which includes senior managers from across the Group.

Quality assurance activities across operational processes are focused on customer outcomes, in addition to process and policy adherence. These are specifically designed to check that members and customers receive good outcomes throughout their journey. Second line oversight is undertaken by the Compliance function, reporting into the Chief Risk Officer. The Board plays an active role in oversight of these strategies and the delivery by the Group of good customer outcomes.

### Supporting vulnerable customers

The Group recognises that members in vulnerable circumstances are at greater risk of poor outcomes when dealing with their finances.

The Group has a strong track record in supporting vulnerable customers with vulnerability experts in place across our teams, supported by a Vulnerability Working Group that regularly assesses the needs of vulnerable customers. The Group is fully committed to applying a 'human approach' across all of its channels and this will remain a key focus as digital services are developed.

### Complaints and redress

The Group continues to keep positively encouraging members and customers to identify poor outcomes or service, that do not meet their expectations and seeks to resolve complaints as soon as possible.

Key related improvements in 2025 include reducing the time taken to resolve complaints, simplifying the authentication process, streamlining the account opening and maturing journeys, and improving internal payments.

### Conduct and compliance risk outlook

Management of conduct and compliance risk at the Group will continue to seek alignment with the regulatory priorities, including continued embedding of the Consumer Duty, demonstrating delivery of good customer outcomes, tailored support for vulnerable customers, including those in potential financial difficulty, access to banking services, prevention, detection and reimbursement of authorised push payment fraud, and operational resilience.

Key internal activities will continue to focus on aligning approaches across the Group, following the acquisition of the Bank, and ensuring change is delivered safely.

## Climate risk

The risk that climate-related events or the transition to a low-carbon economy will lead to financial losses, operational disruption, regulatory censure and/or reputational damage for the Group.

### Climate risk profile

The physical and transitional risk impacts from climate change have been considered against the Group's principal risk categories including credit, capital, conduct and compliance, liquidity and funding, model, and operational. The key risks from climate change are detailed in the Climate Risk Register, within the Our approach to climate change section on page 67.

The Group employs scenario analysis as a core component of its climate risk strategy, enabling us to assess how varying levels of climate change could impact our mortgage portfolio.

Our analysis has concluded that the Group does not have a material exposure to the physical impacts of climate change, even under severe and long-term modelling. Whilst we continue to monitor and enhance our approach to understanding the transitional risks, we believe that, in the medium-term, this will have implications within the markets where we operate as the UK progresses towards a Net Zero 2050 target.

### Management of climate risk

The Chief Risk Officer (CRO) holds SMF responsibility for the identification and management of climate risk across the Group.

The Climate Risk Forum brings together representatives from across business functions to monitor climate risk and reports directly into the Group Executive Risk Committee.

In addition, each of the principal risk categories impacted by climate risk have a defined executive owner and risk committee responsible for the monitoring and management of risk.

A Group risk policy and risk appetite statement have been approved by the Board and the Board Risk Committee, and support the effective coordination and management of climate risk.

### Climate risk outlook

During 2026, the Group will be focused on planning for and delivering against the latest PRA guidance for the management of climate related risks, outlined in supervisory statement SS5/25, which is expected to enhance the existing approaches employed. The Group will continue to monitor physical and transition risk exposures and horizon scan for impacts from policy and market developments.

1. Source: Financial Conduct Authority - contextualisation data for the combined Group for the six months to 30 June 2025. Banking and credit complaints.  
2. Source: Financial Conduct Authority - contextualisation data for the banking and credit sector for the six months to 30 June 2025.

# Risk Categories continued

## Operational resilience risk

Operational resilience risk is the risk that the Group's ability to prevent, adapt, respond, recover, and learn from operational disruptions is insufficient, resulting in harm to members and customers, the Group's reputation, or confidence in the wider financial system.

### Operational resilience risk profile

Operational resilience is a thematic risk and is therefore exposed to risks arising from five key areas: technology/cyber security, data, third parties, people and property. These are referred to as the 'Pillars of Resilience'.

Operational resilience risk is monitored through a suite of resilience indicators set against each of the Group's resilience pillars. These indicators are aligned to the Group's risk appetite and tolerance for disruption. Performance against these measures is overseen through established governance forums, ensuring transparency of the Group's resilience posture and its capability to respond, recover, and maintain delivery of important business services.

The Group has implemented, embedded, and continues to invest in a robust resilience framework to ensure that operational resilience risk, and any subsequent regulatory or reputational risks, are managed within appetite. This includes identifying important business services, setting impact tolerances, and testing our capabilities against severe but plausible scenarios.

In 2025, the Group continued to strengthen resilience capabilities through scenario testing, third-party risk assessments, and technology resilience programmes.

### Management of operational resilience risk

The Group manages operational resilience risk through its operational resilience policy, supported by a centre of excellence (CoE) model that provides expertise, governance, and oversight across all resilience pillars. This model ensures consistency, scalability, and alignment with regulatory expectations.

Key components of the operational resilience CoEs include:

- **Incident and crisis management:** Coordinates rapid response and strategic decision-making during operational disruptions to minimise impact on critical services.
- **Change governance:** Ensures that changes to systems, processes, or services are assessed, approved, and implemented without compromising resilience.
- **Business continuity planning:** Establishes plans and procedures to maintain or quickly restore critical operations during disruptive events.
- **Third party continuity:** Manages resilience risks associated with external suppliers and partners to ensure continuity of outsourced services.
- **Regulatory alignment:** Maintains compliance with operational resilience regulations and embeds supervisory expectations into governance and controls.

- **Stress testing:** Validates resilience capabilities through severe but plausible disruption scenarios to confirm ability to meet impact tolerances.

Following the acquisition of the Bank, resilience governance arrangements, controls and working practices have been aligned and integrated to ensure a consistent approach across the enlarged Group.

### Operational resilience risk outlook

The Group's operational resilience capability is well established, mature, and benchmarked against industry standards and peer practices.

It provides a strong foundation for managing disruptions and maintaining critical services. In 2026, further development is planned to strengthen resilience across the Group, particularly in areas such as third party continuity, enhanced monitoring of strategic vulnerabilities, and scenario stress testing, including scenarios emerging from the recent acquisition and integration activity. These initiatives will also strengthen alignment with regulatory expectations and support the Group's broader strategic objectives.

Whilst operational resilience risk exposure can never be fully eliminated, the Group's proactive approach - including robust preparatory work, rigorous scenario testing, and continuous improvement positions it strongly to anticipate, withstand, and recover from severe but plausible disruptions. This forward looking posture ensures transparency of resilience performance and reinforces confidence in the Group's ability to safeguard members and customers, maintain critical services, and protect financial stability.

# Our approach to climate change

including climate-related financial disclosures

This section outlines how the Group is responding to climate change and includes its climate-related financial disclosures.

Introduction	63
Climate Governance	65
Climate Strategy	66
Climate Risk Management	68
Metrics and Targets	70



# Climate Related Financial Disclosures

## Introduction

This section sets out our understanding of the impact of climate change on the Group and our members and customers. It covers the activity we completed during 2025, and have planned for 2026 and beyond to achieve our climate targets. It also captures how we are progressing our understanding of climate change and the impact it will have in the future, as well as how we are bringing together the Society and Bank to have one overarching approach.

The Group supports the recommendations provided by the Financial Stability Board’s Task Force on Climate-Related Financial Disclosures (TCFD). The information disclosed within this report is structured to demonstrate our understanding of the risks and opportunities associated with climate change, in a way that is transparent and in accordance with the TCFD guidance, where applicable.

The PRA’s new Supervisory Statement SS5/25 - 'Enhancing banks' and insurers' approaches to manage climate related risks' is effective from December 2025. The Group is assessing this new guidance and working to develop action plans to ensure it is incorporated appropriately and proportionately.

The Group continues to mature its climate-related disclosures further to align with the ambition of our decarbonising journey. We recognise that this is a complex, developing area of reporting, where our understanding continues to evolve and develop in line with enhanced external guidance. Further information is detailed within the Group’s Sustainability Report, which is available at [www.thecoventry.co.uk](http://www.thecoventry.co.uk).

## The Four Pillars of Climate-Related Financial Disclosures

### Governance

This section describes how the Group has embedded climate change within its governance structure, including the role of the Board.



### Strategy

This section outlines the Group’s strategy and how we are adapting to the risks and opportunities of climate change.



### Risk management

This section outlines how the Group has incorporated climate risk within its Enterprise Risk Management Framework (ERMF) and the risks identified.



### Metrics and targets

This section describes the Group’s short-, medium- and long-term climate targets and ambition, and provides an update on its emissions calculations.



## Definitions

When writing this climate section of the Annual Report, we’ve tried to do so in a way that is transparent and accessible. However, we recognise some of the language in this report requires further defining. The glossary to this Annual Report includes definitions of key terminology used in this section. The Group’s definitions for emissions and climate risks are below and reflect industry standards.

Emissions	
Scope 1	Direct greenhouse gas (GHG) emissions that occur from our own operations (e.g. our company vehicles, gas usage and fugitive emissions).
Scope 2	Indirect GHG emissions associated with the purchase of our electricity.
Scope 3	The result of activities from assets not owned or controlled by the Group, but that the Group indirectly impacts in its value chain. Include all sources not within an organisation’s Scope 1 and 2 boundary and can be separated into the following two categories:
- Scope 3 upstream	Business travel by means not owned or controlled by the Group, waste disposal, employee commuting, and purchased goods and services.
- Scope 3 downstream	The emissions from our financed activities through the Group’s operations.
Risk Type	
Physical	The physical risks arising from the direct impacts of climate change related to specific weather events (such as heatwaves, floods and storms) and longer-term shifts in the climate (such as changes in precipitation, extreme weather variability, sea level rise and rising mean temperatures). This may lead to damage to assets, business disruption and changes in individuals’ health and incomes, driving financial losses and impaired asset/collateral values.
Transition	The risks arising from the process of adjustments as we transition to a Net Zero economy. Transition risk could arise from technological innovations, policy decisions and/or market changes. These may drive changes in the value of assets and liabilities, increase the cost of business for the Group and/or its customers, and result in changes to consumer spending habits.

# Climate Related Financial Disclosures

continued

The table below outlines the Group's progress on its climate journey with its achievements and future planned activity.

	Achievements	Future activity
Governance	<ul style="list-style-type: none"> <li>The Society has maintained B Corp Status, demonstrating continued high standards in our ESG approach.</li> <li>Continued oversight of climate change through the Board committee governance structures, with periodic Board and Senior Management updates on Climate Risk developments.</li> <li>Designated Senior Management Function (SMF) with accountability for the financial risks arising from climate change.</li> <li>A Non-Executive Director who is dedicated to championing ESG at the Board.</li> <li>Continued oversight of external developments and trends across ESG.</li> <li>Implemented Group governance structures, risk frameworks and policies that support effective oversight and monitoring of climate risk management across the Group entities.</li> <li>Embedded consideration of climate risk within the Group's product approval process.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure our Board and senior management continue to receive at least annual climate risk training and education.</li> <li>Continue to evolve climate governance in line with updates to PRA guidance in SS5/25 and drive positive outcomes.</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>Enhanced our assessment of the risks and opportunities of climate change to our business model.</li> <li>Identified strategic partners who can help us to rise to the climate challenge.</li> <li>Continued to offer our green mortgage product to eligible members and customers.</li> <li>Delivered Sustainability Reports in accordance with GRI standards.</li> <li>Developed our Group environmental and Net Zero approach.</li> <li>Continued supplier engagements, collecting actual supplier-specific emissions data, to support our move from spend-based emissions estimation to a hybrid approach.</li> </ul>	<ul style="list-style-type: none"> <li>Develop further our green product propositions.</li> <li>Engage with our members and customers to support a green transition as understanding of government support and regulations develop.</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>Maintained climate risk as a category within our Enterprise Risk Management Framework, with an elevated profile as a thematic risk.</li> <li>Continued to review our data with respect to physical and transition risks to continue to grow our understanding of our potential exposure to climate risks across the Group.</li> <li>Incorporated climate risk modelling and analysis within our ICAAP process.</li> <li>Incorporated group-wide climate risk measures and KRIs within our risk appetite statement.</li> <li>Developed a group-wide Climate Risk Policy.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to review lending policy to ensure it remains robust to potential climate risks.</li> <li>Develop our data capabilities to further embed physical and transitional risk considerations in our modelling and decision making.</li> <li>Enhance our data, risk management and scenario analysis capability in line with the updates to PRA guidance in SS5/25.</li> </ul>
Metrics and targets	<ul style="list-style-type: none"> <li>Remained carbon neutral for our own operations.</li> <li>Continued to publish calculations for all of the Group's emissions (Scope 1, 2 and 3).</li> <li>Developed the Group's Net Zero approach of how we intend to decarbonise.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to evolve our Net Zero Transition Plan, to reflect the increased scale and scope of the Group following acquisition of the Bank.</li> <li>Continuing to evolve and make progress against our plan, monitoring internal and external scenarios to drive the required action.</li> <li>Further define metrics and targets to capture physical and transition risks.</li> </ul>

# Climate Governance

## Board oversight of climate risks and opportunities



The Board has ultimate accountability for the management of all risks and opportunities relating to climate change as well as our broader approach to sustainability. In fulfilling its role, the Board delegates some of its responsibilities in this area to the committees described above. Details of how the Group approaches risk management more generally can be found on page 33.

The Board fulfils its responsibilities by receiving regular updates and ESG information on climate-related issues. As a part of the Board's annual strategy process, material matters arising from the assessment of climate risks and opportunities are considered and any actions identified to address such challenges are endorsed. Additionally, the Board approved the annual budget, endorsing any allocated amounts specifically designated for addressing climate risks.

The Board received two detailed updates on sustainability matters and approved the Group's vision for sustainability and the material elements of the Sustainability Plan. Performance against key ESG metrics were reported to the Board on a quarterly basis and reviewed biannually as part of the Board's sustainability updates.

The Board receives support from a nominated Non-Executive Director, Shamira Mohammed, who serves as the Board ESG champion. In addition to participating in formal Board meetings addressing climate topics, her role extends to regular engagement with the Group Executive team and colleagues involved in this area, as well as the review of climate-related management information.

### Management oversight of climate-related issues

The Chief Executive holds the ultimate responsibility for executive oversight of climate-related matters, with day-to-day responsibilities delegated to the Chief Risk Officer (CRO).

The responsibility for managing financial risks related to climate change is designated to the Group's CRO, under the Senior Management Function (SMF). This role includes ensuring that climate-related financial risks are appropriately integrated into the risk management frameworks, allowing the Group to identify, measure, monitor, and report its exposure to these risks.

Executive Committee meetings address climate-related matters, with material outputs reviewed by the Board. In 2025, the Group Executive team has over seen the Group's engagement on a range of climate matters and broader sustainability agenda. Climate topics are integral to strategic discussions, analysing opportunities for green lending and energy efficiency improvements. They have extensively reviewed proposals on GHG emissions, climate performance, decarbonisation plans, and the Net Zero Transition Plan, submitting the latter to the Board for approval.

The ESG Steering Group, chaired by the Chief People Officer, reviews and endorses materials to be considered by the Executive Committee. It develops and oversees the delivery of the climate and sustainability strategy, playing a key role in setting and overseeing environmental targets. It also endorses and oversees the annual Group ESG plan, guiding sustainability actions, including those related to climate matters.

The Executive Risk Committee (ERC), chaired by the CRO, oversees climate risk management, receiving regular updates on risk appetite measures and relevant regulatory developments. The Climate Risk Forum, reporting to ERC, meets quarterly and reviews regulatory compliance, stress testing, risk management, and data capabilities related to climate risk. Other risk governance forums receive updates on climate risk related matters as required.

How ESG-related performance goals are linked to remuneration are outlined within the Directors' Remuneration Report on page 107.

### Training

We continue to engage with colleagues across the Group on embedding awareness of the climate agenda. This includes sharing our environmental ambitions in the corporate induction programme, availability of personal carbon calculators to educate on personal carbon footprint and other e-learning tools.

# Climate Strategy

We recognise that climate change is a critical issue for our stakeholders as well as for wider society. The impact of climate change also poses potential risks to our business, which need to be effectively managed on behalf of our members and customers.

The acquisition of the Bank has meant the bringing together of two businesses and associated environmental strategies, as well as the existing emissions, and targets, of both. As a result of this, the Group has taken the opportunity to refresh our Net Zero target to 2050, with 2021 as a baseline. We believe that given the scale of the work to bring the Group’s activities together, this reflects a credible target and is consistent with the UK Government’s target and the Paris Agreement.

Our Group ambition remains unchanged: we are committed to financing the transition to a low-carbon economy. We recognise that our credibility in supporting our customers and members on their Net Zero journey depends on our ability to lead by example. That is why we are committed to be operationally Net Zero across the Group by 2030. Reducing our own emissions first demonstrates accountability and provides a foundation for influencing the wider transition through our financing activities.

Our climate strategy is consistent with our purpose-led approach to business, as a mutual committed to our members. In 2025, the Group continued to take action to positively contribute to addressing this generational challenge as well as effectively managing the risks to our business.

We continued to update our Net Zero Plan, setting and agreeing our plans to achieving our climate-related targets and ambition over the short-, medium- and long-term. We are carbon neutral for our own operations as a Group. Our Sustainability Report captures further

information and disclosures regarding our Net Zero Plan and the actions to help deliver our ambition to be fully Net Zero by 2050. Further information on the Group’s emissions can be found in the metrics and targets section on page 70.

Whilst we are focused on the positive actions we can take to support a just transition, the climate challenge for the UK’s housing stock cannot be solved by the Group on its own. We recognise that broader policy changes, significant cross-industry collaborative effort, and further government support focused on UK housing are required to meet our 2050 target. We are working with several organisations such as the Green Finance Institute, E3G, and UK Finance, supporting cross-industry green homes action groups to drive sustainable and responsible solutions. We also work and partner with several specialist organisations to increase our expertise and member and customer propositions around the areas where we can make the greatest impact in reducing our carbon footprint. This is a challenging objective, but one we think is important to aim for, as supporting our members and customers is our purpose. Therefore we will continue to contribute to discussions during 2026 and beyond.

We also continued to enhance our understanding of climate risk exposures, which included obtaining regular updates on the physical and transition risks to our mortgage book. The Climate Risk Management section of this report includes further information on the Group’s approach to using scenario analysis to assess the physical and transition risks and the outcome of these assessments. This can be found on page 68.

## Risks and opportunities from climate change

Climate change presents both risks and opportunities for the Group’s business model, impacting our balance sheet, operations, and broader strategy. As a thematic risk within the Group’s ERM, the impacts of climate change are considered against the principal risk categories and inform our strategic decision-making. The Group remains committed to supporting a just and fair transition to a low-carbon economy while safeguarding our lending portfolio. This includes engaging with our members and customers, developing innovative green financial products, and leveraging our data insights to proactively manage risks.

Below is a non-exhaustive summary of the opportunities and risks identified.

TCFD areas of opportunity	Climate opportunities	Description
Products and Services	Green finance	An opportunity for the Group to offer innovative financial products, which help borrowers to reduce their carbon emissions and improve energy efficiency.
Resilience	Educating and communicating with our members and customers	Supporting our members and customers with the transition to Net Zero and leveraging partnerships and our B Corp network to attract more ESG conscious customers and funding.
Markets	Access to green funding	By supporting a fair transition to Net Zero, the Group can utilise opportunities to obtain green retail or wholesale funding.

# Climate Strategy continued

Risk category		Risk description
Retail Credit Risk	Transitional	<ul style="list-style-type: none"> <li>Impacts on valuations of properties due to potential future governmental requirements for minimum efficiency standards (EPC). Metrics linked to this risk can be found under the heading 'Transition Risk' of the risk management climate section.</li> <li>Borrower affordability declines leading to higher arrears and defaults, due to higher energy costs, structural changes in the economy, tax changes or, for buy to let specifically, other transitional impacts on borrowers' ability to repay.</li> <li>Deterioration in book quality and mix if we are not selected by more climate conscious customers, or we do not compete with competitors pricing to attract or incentivise higher rated EPC (or equivalent) properties.</li> </ul>
	Physical	<ul style="list-style-type: none"> <li>Houses are damaged or become uninhabitable due to physical impacts such as flooding.</li> <li>Properties become uninsurable or premiums increase dramatically, impacting affordability and property valuations.</li> </ul>
Operational Risk	Transitional	<ul style="list-style-type: none"> <li>Reputational and financial impacts because of third-party providers not delivering climate commitments.</li> <li>Potential for litigation from future impacts of climate change.</li> <li>New area for potential mortgage fraud through transitional climate processes e.g. energy ratings for properties.</li> </ul>
	Physical	<ul style="list-style-type: none"> <li>Adverse impact on business continuity because of damages to the Group's premises and infrastructure, or failure of suppliers to provide critical services as a result of physical risks.</li> <li>Risk to employee health and safety in extreme weather events.</li> </ul>
Conduct and Compliance Risk	Transitional	<ul style="list-style-type: none"> <li>Borrowers in lower EPC rated properties are subject to increasing energy bills and unable to afford retrofit costs, possibly resulting in 'mortgage prisoners' as lenders judge they do not meet affordability requirements.</li> <li>Inadequate or misleading information about climate risks may lead to reputational damage and erode customer trust.</li> <li>Increased regulatory compliance and costs associated with climate change, including enhanced emissions or other climate-related reporting obligations.</li> </ul>
Market & Treasury Credit Risk	Physical & Transitional	<ul style="list-style-type: none"> <li>Impacts to markets arising from physical or transitional events. This could impact foreign exchange markets or interest rate movements and in turn impact the Group's value, or net income from its assets and liabilities.</li> <li>Investor sentiment and preferences, as they increasingly consider ESG factors when making decisions.</li> <li>ESG rating downgrades, and credit ratings downgrades because of climate risk, could impact the value of securities held and who we can operate with.</li> </ul>
Liquidity & Funding Risk	Physical & Transitional	<ul style="list-style-type: none"> <li>Inability to access wholesale markets due to lack of ability to operate in green markets.</li> <li>Retail funding is impacted as members and customers suffer economic challenges of climate change.</li> </ul>
Capital Risk	Physical & Transitional	<ul style="list-style-type: none"> <li>Assets depreciate due to physical or transitional impacts of climate change, especially in regions prone to extreme weather events.</li> <li>Imposed regulatory capital allocation could lead to opportunity cost, as the capital may be utilised in other areas.</li> </ul>
Technology & Data Risk	Transitional	<ul style="list-style-type: none"> <li>Failure to adapt systems and technology to the requirements of the Group Net Zero Plan, ingesting climate data into systems, emerging sustainability reporting and regulatory changes.</li> </ul>
Business & commercial Credit Risk	Physical & Transitional	<ul style="list-style-type: none"> <li>Business and commercial borrowers may experience financial stress or asset devaluation due to physical damage or transition pressures in carbon-intensive sectors, affecting their ability to repay or refinance.</li> </ul>
Model Risk	Transitional	<ul style="list-style-type: none"> <li>Data used for climate models is inaccurate and/or unreliable, increasing regulations and external scrutiny of climate data mean that inaccurate or inconsistent data and disclosures can lead to regulatory breaches, loss of investor confidence and reputational harm.</li> </ul>

# Climate Risk Management

In line with the ERMF, the Group seeks to understand the climate risks relevant to its operations, and to monitor and mitigate these risks over time. Processes are in place across the Group to support assessment of the physical and transition risk exposures. Where appropriate, there has been engagement with third parties to enhance data capabilities. The outputs of these assessments have been reviewed by the Climate Risk Forum, and reported to the ERC and BRC.

## Risk categorisation and risk appetite

Throughout 2025, a single group-wide ERMF was developed to support effective risk management across the combined Group. Climate risk is defined as a "Thematic Risk" within the taxonomy. This is reflective of climate risk being a cross-cutting risk, which can manifest across multiple other risk types, including credit risk, capital risk, conduct and compliance risk, liquidity and funding risk, model risk and operational risk. The table of risks on page 67 map the key identified potential impacts to the Group's principal risk categories.

In accordance with the Group ERMF, a Group Climate Risk Policy and Risk Appetite Statement were developed and approved by the BRC and the Board respectively. These foundational components will enable the embedding of a consistent approach to governance, monitoring and management of climate risks across the Group through 2026 and beyond.

During 2025, the Group continued to enhance its understanding of the physical and transitional risks that it is exposed to, over a range of time horizons reflecting the complex and short-, medium- and long-term impacts that climate risk poses to wider society and our business model. The physical and transition risks of climate change contribute to a structural change affecting the financial sector at large, and we have sought to understand these impacts by use of scenario analysis.

## Approach to scenario analysis

The Group employs scenario analysis as a core component of its climate risk management strategy, enabling us to assess how varying levels of climate change could impact our portfolio. Using comprehensive property climate-related risk assessment data, we evaluate both physical risks, such as flooding, subsidence, and coastal erosion, and transition risks, including those related to Energy Performance Certificate (EPC) ratings. Our methodology aligns with internationally recognised frameworks, such as the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCPs), ensuring a robust and consistent approach to climate modelling.

The three emissions pathways<sup>1,2</sup> included in this scenario are:

- **Low Emissions Scenario:** This scenario assumes significant global action to curb greenhouse gas emissions, consistent with limiting warming to 1.5°C by 2100, mirroring the RCP 2.6 pathway. It reflects a world committed to a rapid transition to a low-carbon economy.
- **Medium Emissions scenario:** Representing moderate climate action, this pathway is akin to RCP 4.5, with global temperatures expected to increase by approximately 2.5-3°C by 2100. This scenario assumes balanced approaches in emission reductions.

- **High Emissions Scenario:** This pathway, comparable to RCP 8.5, assumes limited emissions control, with projected warming reaching or exceeding 4°C by the end of the century. It highlights the highest physical risks, especially in later years.

Overall, the results of the scenario analysis undertaken to date have confirmed we have not identified significant climate-related financial risk on our balance sheet. Scenario analysis has been used to enhance understanding of both the physical and transitional risks, with further detail provided on page 69. However, we recognise that climate risk and scenario analysis continues to evolve, and we will monitor the need to enhance our analysis and understanding of the risks in 2026 and beyond.

## Physical and transitional risks

The Group modelled the impacts of a range of RCP levels on its portfolio, over short-, medium- and long-term horizons spanning from 2025 to 2080. RCPs provide a recognised methodology for assessing a range of climate impacts and temperature increases and have been used in global climate science since 2013. The Group's analysis included undertaking an assessment of the mortgage book in line with the requirements of the Bank of England's Climate Biennial Exploratory Scenario (CBES), published in June 2021. The Group used RCP 8.5 for its physical risk analysis, which is the highest baseline scenario, and it should be noted that the CBES RCP range is less severe than the scenarios modelled by the Group.

This analysis looked at the value at risk, loss given default, probability of default and realised losses in the event of a downturn. Our analysis has concluded that the Group does not have a material exposure to the physical impacts of climate change, even under severe and long-term modelling. However, whilst we continue to monitor and enhance our approach to understanding the transitional risks, we believe that, in the medium-term this will have implications within the markets where we operate as the UK progresses towards a Net Zero 2050 target. The Group is therefore enhancing its understanding of EPC ratings and the emissions of the mortgages within our portfolio and plans to engage with mortgage customers to help them understand what actions they can take, educate them on what support is available, as well as offering our Green Further Advance, subject to eligibility, which may help enable customers to improve their property's energy-efficiency or environmental impact. We will also inform customers, where relevant, of any legislation that may affect them or their property.

## Climate risk in the business and commercial portfolio

Climate risk analysis is carried out on a case by case basis at the point of acquisition and upon annual review, considering both physical and transitional risk. The EPC ratings form part of discussions with these customers, to help them understand actions they can take to improve property efficiency. In 2025, the Bank's relationship managers and underwriters attended an ESG risk training refresher, covering climate risks and opportunities to look out for when carrying out due diligence on businesses. These qualitative risk assessments form an essential part of the credit cycle given low availability of climate data among small to medium sized enterprises.

1. The Royal Society (2022): Climate change in the critical decade: A summary of the IPCC Sixth Assessment Report and its implications for the UK.

2. IPCC (2023) Sections. In: Climate Change 2023 Synthesis Report.

# Climate Risk Management continued

## Transition risk in the retail secured portfolio

Current EPC data	Owner-occupier mortgages					
	As at 31 December 2025			As at 31 December 2024		
	Number	Exposure £m	% of book <sup>2</sup>	Number	Exposure £m	% of book <sup>2</sup>
A	1,020	256	0.5	518	132	0.4
B	24,623	5,091	10.0	13,367	2,805	8.7
C	69,074	12,175	24.0	39,398	7,150	22.1
D	107,086	18,919	37.3	65,049	11,898	36.7
E	35,699	6,506	12.8	23,627	4,548	14.0
F	7,375	1,373	2.7	5,199	1,020	3.1
G	1,503	264	0.5	1,107	204	0.6
No EPC <sup>1</sup>	55,909	6,174	12.2	37,379	4,655	14.4

Current EPC data	Buy to let mortgages					
	As at 31 December 2025			As at 31 December 2024		
	Number	Exposure £m	% of book <sup>2</sup>	Number	Exposure £m	% of book <sup>2</sup>
A	89	18	0.1	79	16	0.1
B	6,348	1,078	5.1	6,062	1,028	5.3
C	49,843	7,310	34.9	43,438	6,386	33.0
D	57,771	8,681	41.5	53,946	8,106	41.8
E	14,180	2,041	9.8	14,518	2,094	10.8
F	643	86	0.4	709	101	0.5
G	170	21	0.1	198	25	0.1
No EPC <sup>1</sup>	10,922	1,698	8.1	10,437	1,619	8.4

1. No EPC means that at the time of searching the EPC register, the property in question did not have a record on the EPC database. An EPC carried out more than 10 years ago, whilst invalid, would be included in relevant EPC band.

2. % of the book is based on the exposure value.

In 2025, our proxy for assessing transition risk was the EPC register which records the EPC for 14 million properties in England, Wales and Scotland, with a separate calculation for Northern Ireland. The tables above demonstrate that the EPC profile of the Group's mortgage portfolio remains broadly consistent year on year, with slight improvements to the exposures in both mortgage types to higher-rated properties with corresponding reduction in properties with no EPC data. The heritage Bank and Society portfolios have broadly similar EPC profiles, with the Bank having slightly higher exposure in EPC bands A-C than the Society. Movements over the past year are consistent across both portfolios.

The Group holds an EPC against 89% of portfolio stock by value, with the remainder having a modelled EPC recorded against it. On a portfolio level, the Group is focused on improving the D-G range. If all properties were retrofitted to their potential, this figure would change materially. The Climate Risk Forum continues to monitor regulatory and governmental policy with a view to ensuring the Group is alert to any strategic implications, risks or opportunities and the need to respond accordingly.

### Conclusions and future outlook

While the Group's scenario analysis highlights no significant exposure to physical risks, including coastal erosion, flooding and subsidence, we remain committed to proactive risk management. Our strategies focus on monitoring evolving risks, supporting resilience measures, and engaging with stakeholders to mitigate potential impacts. These efforts underscore our dedication to

safeguarding the portfolio and ensuring long-term sustainability.

The Group's climate risks scenario analysis aligns with the guidance set by the TCFD and the evolving requirements outlined by the UK Government. By adhering to these frameworks, we aim to address the critical need for identifying, measuring, and mitigating both physical and transition risks within our mortgage portfolio.

Our findings, which indicate relatively low exposure to significant financial risks even under severe climate scenarios, reflect the resilience of our strategy. Looking ahead, the Group will continue to enhance its climate resilience by improving data quality, refining scenario modelling techniques, and deepening engagement with stakeholders.

# Metrics and Targets

We recognise that the scale, composition and emissions profile of the Group has changed significantly following the acquisition of the Bank. As a result, the emissions reported for the year show an overall increase. This increase does not reflect a deterioration in underlying performance, but rather the enlarged footprint of the Group. We will provide further detail of these changes in our Sustainability Report, where we will outline our approach to harmonising methodologies, baselines and classifications across the Group.

During 2026, we will develop a unified Group Net Zero Transition Plan that underpins the Group target of 2050, and aim to set a refreshed interim target, supporting actions and a consolidated measurement framework. This will ensure a consistent, credible and science-aligned plan for the Group. Where relevant, we will explain changes to metrics and targets by disclosing updates to methodologies, definitions or scopes with rationale to maintain transparency and comparability across reporting periods.

We recognise that the path to Net Zero must be a just transition. Our members expect us to act with integrity - reducing emissions rapidly but also ensuring that the pace of change is fair, affordable, and does not disadvantage households or businesses. Aligning our Group target to 2050 allows us to apply a consistent approach across the business, while our 2030 interim target commitment show that we intend to go further and faster where possible.

The UK as a whole has made significant progress with decarbonisation this century. However, the time and investment to retrofit and upgrade housing stock, create the necessary electricity generation and storage, and change customer behaviour requires us to set a credible and feasible plan.

During 2026, we will look to expand our work with mortgage customers to improve home energy efficiency, while ensuring that our corporate lending supports clients' transition plans and remains underpinned by strong ethical standards. By combining the Bank's

customer-led Ethical Policy and our sustainability commitments, we are setting a higher benchmark for responsible finance across the Group.

As a Group, we remain carbon neutral for our own business operations. We continue to build on previous disclosures, integrating forward looking targets and focusing on ongoing improvements in our sustainability practices. This commitment is central to our long-term strategy as we work towards a resilient, net zero future.

In 2025, the Group achieved year on year reductions in Scope 1 and Scope 2 emissions against the prior year, and continue on a downward trend since 2021.

The Group remains committed to reducing its carbon footprint by prioritising renewable energy and energy efficiency across operations. Our approach includes procuring 100% renewable electricity (through REGO-backed certificates), focusing on electrifying our heating systems by installing air source heat pumps to meet our heating demands. We are on track to transition our business fleet to electric vehicles by 2030.

We have been working towards meeting ISO 50001 (Energy Management System) standards, and ISO 14001 (Environmental Management System) certification, which we will reinforce our environmental management framework. We are working to achieve both in 2026 across the Group's operations.

While the Group does not currently have emissions intensity targets, we are committed to reducing emissions across our operations and financing activities. By measuring both operational and total carbon emission intensities, we can better understand emissions relative to our financial performance, enabling more informed decision making.

## Scope 1 and 2 emissions data

The 2024 data below represents the Group position prior to acquisition of the Bank. Overall, emissions data for the Group has increased in the year as a result of coming together as a larger business. Therefore, the data has been split by sub-group to provide more detailed comparisons.

Energy consumption		2025	2025	2025	2024
		Society sub-group	Bank sub-group	Total Group	
Scope 1: Combustion of fuel and operation of facilities	Natural gas (kWh)	1,462,320	1,406,124	2,868,444	1,223,360
	Direct transport (kWh)	193,351	–	193,351	301,626
	White diesel (kWh)	–	9,083	9,083	25,314
	Refrigerants (kg)	1	–	–	21
	<b>Total Scope 1 energy (kWh) excl refrigerants</b>	<b>1,655,671</b>	<b>1,415,207</b>	<b>3,070,878</b>	<b>1,550,300</b>
Scope 2: Electricity purchased	Total electricity (kWh)	4,462,293	4,013,251	8,475,544	4,067,441
Scope 3: Indirect transport	Indirect transport (incl only employee owned vehicles (kWh))	316,135	305,530	621,665	371,227
<b>Total Scope 1, 2 and 3 energy consumption (kWh) excl refrigerants</b>		<b>6,434,099</b>	<b>5,733,988</b>	<b>12,168,087</b>	<b>5,988,968</b>

# Metrics and Targets continued

## Scope 1 and 2 emissions data continued

Emissions assessment		2025	2025	2025	2024
		Society sub-group	Bank sub-group	Total Group	
Scope 1: Combustion of fuel and operation of facilities	Natural gas (tCO <sub>2</sub> e)	268	257	525	224
	Direct transport (tCO <sub>2</sub> e)	48	—	48	73
	White diesel (tCO <sub>2</sub> e)	—	3	3	7
	Refrigerants (tCO <sub>2</sub> e)	3	—	3	34
	<b>Total Scope 1 energy (tCO<sub>2</sub>e)</b>	<b>319</b>	<b>260</b>	<b>579</b>	<b>338</b>
Scope 2: Electricity purchased, heat and steam generated	Location based (LB) (tCO <sub>2</sub> e)	790	710	1,500	842
	<b>Total Scope 1 and 2 energy (tCO<sub>2</sub>e)</b>	<b>1,109</b>	<b>970</b>	<b>2,079</b>	<b>1,180</b>
Scope 3: Indirect emissions	Indirect emissions excluding mortgage (tCO <sub>2</sub> e)	19,509	31,039	50,548	22,630
	Mortgages (tCO <sub>2</sub> e)	663,542	305,060	968,602	677,302
<b>Total Scope 1, 2 (LB) and 3 (indirect) emissions (tCO<sub>2</sub>e)</b>		<b>684,160</b>	<b>337,069</b>	<b>1,021,229</b>	<b>701,112</b>

Intensity metric assessment		2025	2025	2025	2024
		Society sub-group	Bank sub-group	Total Group	
Intensity ratio (total gross Scope 1 and 2)	tCO <sub>2</sub> e/ net interest income £m	1.81	2.25	1.99	1.74
Intensity ratio (total gross Scope 1, 2 and partial 3)	tCO <sub>2</sub> e/ net interest income £m	2.21	2.77	2.44	2.03

Notes on the above tables emissions data:

- No mandatory emissions have been excluded from this report.
- Emissions factors applied: Defra 2025.
- Methodology: the report is aligned with GHG Protocol and Environmental Reporting Guidelines including streamlined energy and carbon reporting guidance.
- Estimations for the last three months of 2025 have been used for the energy data (kWh) and associated emissions data (tCO<sub>2</sub>e).
- Scope 3 indirect emissions from mortgages is calculated based on 31 October position in 2025, 30 September in 2024.
- A full breakdown of all our Scope 1, 2 and 3 emissions and the Group's environmental data can be found in our Sustainability Report.

The above tables reflect estimates for the final three months of 2025 and two months of 2024, including the Bank's emissions for the first time in 2025, and calculated in line with the SECR. We have also included estimates for the emissions from our mortgage portfolio, based on EPC data using PCAF guidance. A full breakdown of our consumption and emissions data is available within our Sustainability Report.

### Scope 3 Financial Emissions Using the PCAF Methodology

The majority of the Group's climate impact is associated with financed emissions from residential secured lending. The small portfolio of business and commercial lending acquired with the Bank is a limited component of financed emissions.

Given the importance of capturing these emissions accurately, we have adopted the Partnership for Carbon Accounting Financials (PCAF) methodology, a recognised industry standard for calculating Scope 3 financed emissions. In 2025, the Group joined this collective and became signatories of PCAF. The PCAF methodology provides a consistent framework for measuring and disclosing emissions associated with financial assets, ensuring that our metrics are comparable with those of other financial institutions and are aligned with global best practices.

In accordance with PCAF guidelines, the Group's Scope 3 financed emissions have been weighted by the loan to value (LTV) ratios of the mortgages in our portfolio. This approach enables a precise calculation of the proportion of emissions financed by the Group, reflecting our financial exposure to carbon-intensive properties. The

calculations are informed by property data, including EPCs sourced from publicly available government databases. These EPC ratings form the basis for modelling the GHG emissions associated with the properties within the Group's mortgage portfolio. Where data is unavailable at property level, representative archetypes or EPC distributions are used.

PCAF data scores are at a portfolio level and therefore there is no total Group score available for 2025. The Society sub-group's 2025 PCAF score has remained stable at 3.12. By focusing on refining data collection methods and incorporating higher-quality data inputs over time, we are committed to improving our PCAF score and achieving a more accurate emissions profile. As we move forward, we will prioritise increased collaboration with external data providers and explore potential enhancements in data management to meet the evolving standards of emissions accounting.

### Calculation outputs

At Society sub-group level, there have been modest improvements, due to a combination of factors. Regulatory pressures, particularly for the buy to let sector, may be driving gradual progress toward energy efficiency. For owner-occupied properties, progress has been slower, as limited incentives to update EPC ratings continue to pose challenges. However, without active monitoring of EPC data, capturing the full extent of these efficiency gains remains a challenge. As the Group works to address these gaps, we anticipate further refinements in our emissions tracking and reporting.

# Metrics and Targets continued

## Calculation outputs continued

	31 October 2025			30 September 2024	
	Society sub-group Mortgage book	Bank sub-group Mortgage book	Bank sub-group Corporate loans	Total Group	Total Group
Total properties	312,309	130,431	N/A	442,740	310,121
Absolute finance emissions (FE) (MTCO <sub>2</sub> e) <sup>1</sup>	0.66	0.27	0.04	0.97	0.68
Average FE per property (tCO <sub>2</sub> e)	2.12	2.05	N/A	2.10	2.18
FE intensity (KGCO <sub>2</sub> e/m <sup>2</sup> ) <sup>2</sup>	42.6	42.8	N/A	42.6	43.5
% EPC match	85%	81%	N/A	83%	82%
PCAF data score	3.12	2.81	5.00		3.15

1. MTCO<sub>2</sub>e represents metric tonnes of carbon dioxide equivalent.

2. KGCO<sub>2</sub>e/m<sup>2</sup> represents the carbon dioxide equivalent emitted per square metre.

We have achieved improvements across some key metrics. Average financed emissions reduced to 2.1 tCO<sub>2</sub>e per property across our Group retail secured mortgage portfolio. This metric allows us to assess the carbon footprint on a per-asset basis, helping to pinpoint where additional efficiency improvements are most needed. Similarly, financed emissions intensity per square metre (FE/m<sup>2</sup>), which normalises emissions data for property size, reduced to 42.6 KGCO<sub>2</sub>e/m<sup>2</sup> reflecting improved energy efficiency within the portfolio. Our EPC coverage has also improved slightly to 83%. Absolute financed emissions, representing the total emissions associated with all properties in our portfolio, offering a snapshot of the Group's overall mortgage-related and corporate lending emissions impact, increased to 0.97 MTCO<sub>2</sub>e as a result of the inclusion of the Bank.

### Calculation approach for corporate lending

The Bank's small corporate lending portfolio is largely made up of SMEs with limited or no published emissions data. As a result, we have chosen to utilise sector-based emissions intensities (using the PCAF database) with economic activity metrics such as revenue and total assets feeding into financed emissions estimates.

Emissions factors are sourced from DESNZ/DEFRA UK GHG conversion factors (latest available), PCAF data, EPC-derived energy intensity datasets and National Grid Future Energy Scenarios (for scenario variants). All conversion factors are reviewed annually for updates.

### Data quality, limitations and planned improvements

The combined dataset currently has limitations. These are due to data gaps that continue to limit the Group's ability to calculate the financed emissions in absolute and intensity terms for the whole lending portfolio as well as reliance on estimated emissions with low PCAF data quality scores for some financed emissions.

Data quality controls include annual internal assurance procedures, external assurance against ISO 14064 (planned from 2026), and system integration that will consolidate emissions datasets across the Group.

We are committed to improving the accuracy, coverage and transparency of our climate metrics. As part of our Group integration activities, we will harmonise methodologies, boundaries and data governance, undertake targeted data quality improvements, particularly for financed emissions, enhance scenario analysis and stress-testing capabilities.

### Caution in interpreting Scope 3 emission data

This data can be key in driving change, and monitoring our progress against our climate ambitions. However, we would urge caution about its usefulness and reliability given the infancy of uniform Scope 3 disclosures, the data gaps that exist on energy efficiency data on UK properties, the lack of information on utility usage and the reliability of EPC bands. As outlined above, the Group will continue to enhance its understanding and maturity on this topic and will continue to report in line with PCAF and industry best practice to promote transparency. The Group will also look for opportunities to engage industry on considering how to evolve and improve EPC ratings and the PCAF methodology.

### Looking ahead

Looking ahead to 2026, we will continue to develop our capabilities to measure, report and mitigate the risks we face arising from climate change. We will continue to develop tools to assess the impacts of climate change on our business activities and ensure that we embed this within business management information.

We recognise that achieving Net Zero must be fair, inclusive and realistic. While the UK has made significant progress in decarbonisation, substantial investment and time will be required to retrofit homes at scale, expand clean energy generation and storage, support households and businesses in changing behaviours, and provide affordable pathways to transition.

Across the Group, we will continue to work to expand our support for members and customers with improving home energy efficiency, developing products that encourage sustainable home improvements and ensuring that corporate lending is underpinned by credible transition plans.

The report aims to address the recommendations of TCFD and we will continue to enhance our reporting on climate and sustainability related issues as the area develops and additional recommendations are released.

# Governance

This section outlines how the Group is managed in the interests of members and highlights the role, constitution and governance of the Board and its Committees.

Board of Directors	<u>74</u>
Directors' Report on Corporate Governance	<u>79</u>
Board Nominations & Governance Committee Report	<u>92</u>
Board Risk Committee Report	<u>94</u>
Board Audit Committee Report	<u>96</u>
Board Change Committee Report	<u>101</u>
Directors' Remuneration Report	<u>103</u>
Directors' Report	<u>118</u>





# Board of Directors continued



## David Thorburn

Chair of the Board

Appointed  
April 2022

### Committee membership

Chair of the Board and the Board Nominations & Governance Committee. Member of the Board Remuneration Committee and Non-Executive Directors' Remuneration Committee.

### Experience

David has over 45 years' experience in the banking industry, including four years as Chief Executive of Clydesdale and Yorkshire Banks. Prior to joining the Society, David held a number of board positions including Chair of the Board Risk Committee at Barclays Bank UK plc. David's previous roles also include External Member of the Bank of England's Prudential Regulation Committee, Chair of the Confederation of British Industry in Scotland, Independent Non-Executive for the EY Global Network, member of its Global Governance Council and former Chair of Ernst & Young LLP Audit Board.

### External appointments

None.

### Committee membership

Chair of the Non-Executive Directors' Remuneration Committee.

### Experience

Steve has broad transformation, financial and operational experience in senior and board level roles within financial services and consumer goods sectors. Before joining the Society, Steve had been Chief Executive of Principality Building Society, and Finance Director of the Lloyds Banking Group General Insurance businesses. Steve also held the role of Non-Executive Director on the main Board of UK Finance and Chair of the Audit and Risk Committee of UK Finance.

### External appointments

Member and Chair of the Audit Committee at the BSA council. Advisory Board Member of the Money and Pension Service. Member of the Payments Advisory Board for the Pennies Foundation and Member of the FCA Practitioner Panel.



## Stephen Hughes

Chief Executive  
and Executive  
Director

Appointed  
April 2020



## Iraj Amiri

Independent Non-Executive  
Director

Whistleblowing champion  
and DE&I champion

Appointed  
June 2018

### Committee membership

Member of the Board Audit Committee and Board Risk Committee.

### Experience

Iraj was a senior partner with Deloitte for over 20 years, leading its national internal audit group and serving clients in the financial, retail and public sectors. He spent 10 years as Global Head of Internal Audit for Schroders plc. Iraj was a Trustee, and Chair of the Audit and Risk Committee and a member of the Investment Committee of NEST Pension, one of the largest pension administrators in the UK. Iraj was also member of the Internal Audit Task Force of the Institute of Chartered Accountants in England and Wales, and a member of the Regulatory Decisions Committee at the Financial Conduct Authority.

### External appointments

Chair of the Audit Committee at Aon UK Limited. Chair of the Audit and Risk Committee at Eurocell plc.

# Board of Directors continued

## Committee membership

Member of the Board Remuneration Committee and the Board Nominations & Governance Committee.

## Experience

Jo is an experienced Non-Executive Director who has worked across multiple sectors in her executive and non-executive careers. Her early career included roles at Mars confectionery, Pepsi, and Asda, followed by executive roles at Camelot Group plc, B&Q plc and Homebase Limited. She was also CEO of Start, a Prince of Wales charitable initiative. Jo has held previous non-executive roles at Principality Building Society and Safestore Self Storage Ltd and was the former Chair of PayM and of the Current Account Switch Service for Pay.UK.

## External appointments

Senior Independent Director and Chair of the Remuneration Committee at Dŵr Cymru Welsh Water. Chair of Remuneration Committee at Sirius Real Estate. Non-Executive Director and Consumer Duty Champion at Vitality Insurance.



**Jo Kenrick**  
Deputy Chair of the Board  
and Senior Independent  
Director  
**Appointed**  
November 2017



**Jane Leach**  
Independent Non-  
Executive Director  
**Appointed**  
October 2025

## Committee membership

Chair of the Board Audit Committee and member of the Board Risk Committee.

## Skills and experience

Jane is a chartered accountant and an experienced board, audit and risk committee chair in the financial sector. She has deep control function and governance expertise, combined with skills in strategic commercial leadership. She began her career at KPMG where she went on to become a Partner and then led KPMG's Financial Services Risk Practice. Jane later became Group Capital Controller at HSBC, before becoming a Senior Advisor at The Bank of England.

## External appointments

Chair of Jupiter Asset Management's UK Fund Manager. Chair of the Lucy Faithfull Foundation. Chair of the Audit, Risk and Compliance Committee at PayPal (UK). Chair of Audit at AIG (UK).

## Committee membership

Chair of Board Remuneration Committee. Member of Board Nominations & Governance Committee and Board Risk Committee.

## Experience

Caroline has held many positions during her executive career in financial services. She spent the first 13 years of her career in retail banking at Barclays before joining Virgin as they moved into banking in the late 1990s. She was a member of the Executive Committee of Virgin Money until 2018. As Virgin Money's Culture Director, Caroline led the successful cultural integration of Northern Rock and Virgin Money. She also led Virgin Money's social enterprise strategy. Caroline has seven years of experience as a Non-Executive Director.

## External appointments

None.



**Caroline Marsh**  
Independent Non-  
Executive Director  
Employee engagement  
champion  
**Appointed**  
January 2025

# Board of Directors continued



## Shamira Mohammed

Independent Non-Executive Director

Board Sustainability champion

Appointed  
May 2019

### Committee membership

Member of the Board Audit Committee and Board Remuneration Committee.

### Skills and experience

Shamira is a Chartered Accountant with over 20 years' experience in the financial services sector. Shamira held previous executive roles at Aviva plc and Phoenix Group plc including Finance Director for the Phoenix Life Division and Finance Acquisition Director.

### External appointments

None.

### Committee membership

None.

### Experience

Brendan has over 35 years' experience at Allied Irish Bank, where his roles included Head of Global Treasury Services, Head of Corporate Banking International and Head of Business Banking. Brendan was most recently on the AIB Group leadership team as Head of Financial Solutions Group before becoming CEO of AIB UK plc in 2015.

### External appointments

Non-Executive Director at Ford Credit Europe Bank plc and Chair of the Board Risk Committee.



## Brendan O'Connor

Independent Non-Executive Director

Board Consumer Duty champion

Appointed  
January 2021



## Mark Parker

Independent Non-Executive Director

Appointed  
January 2025

### Committee membership

Member of the Board Audit Committee and Board Change Committee.

### Skills and experience

Mark has held several senior executive positions in the financial services sector, most recently as Chief Operating Officer at Hastings Insurance Services Limited. He was appointed as Chief Operating Officer at Virgin Money, following the restructure and sale of Northern Rock plc to Virgin Money. Prior to joining Northern Rock plc, Mark held senior executive positions at HBOS plc leading Group Services, Group Technology and Chief Executive Officer of Intelligent Finance Bank, part of the HBOS Group.

### External appointments

None.

# Board of Directors continued

## Committee membership

Chair of the Board Change Committee and Member of the Board Risk Committee and Nominations & Governance Committee.

## Experience

Iain began his career as a software engineer and architect and has since undertaken several senior executive appointments. Iain's executive career began at UBS Group where he was Group Chief Technology Officer, Chief Information Officer ('CIO') of Europe and Global CIO of the investment bank. At Barclays Group, he was the Global Chief Operating Officer of Group Shared Services. He later joined Aberdeen Asset Management as Group Chief Operating Officer before moving to TP ICAP as Group Chief Operating Officer. His most recent executive role was with Santander UK as Chief Operating and Transformation Officer.

## External appointments

Independent Non-Executive Director at Citi Group Global Markets Limited.



## Committee membership

Member of the Non-Executive Directors' Remuneration Committee.

## Experience

Lee is a qualified accountant and has over 30 years' experience in the building society sector including 24 years at Nationwide Building Society. He has held senior roles in finance, strategy, product and data and was a Member of the Executive Committee during his time there.

## External appointments

None.

## Committee membership

Chair of the Board Risk Committee. Member of the Board Audit Committee and Board Change Committee.

## Experience

Martin has wide-ranging experience within the financial services sector. He was the Director of Banks, Building Societies and Credit Unions at the Bank of England and Head of UK Banks and Mutuals at the Financial Services Authority (now the Financial Conduct Authority). Martin also spent ten years in various senior roles at Yorkshire Building Society.

## External appointments

Non-Executive Director and Chair of Northern Bank Limited (Danske Bank UK).



# Directors' Report on Corporate Governance

## Dear Fellow Member

I am pleased to present to you the Group's Report on Corporate Governance for the financial year 2025, which sets out the role of the Board and its key activities during the year.

Good governance underpins our accountability to members of the Society and customers of the wider Group. The Board is committed to maintaining high standards in the way that the Group, including the Society, is governed and managed and is guided by the principles of the latest UK Corporate Governance Code (the Code) in line with guidance from the Building Societies Association to ensure alignment with good practice and the Society's mutual status. The Board, with support from the Board Audit Committee and Board Nominations & Governance Committee oversaw the implementation of the updated 2024 Code. This report, together with the reports from the Board Committees, highlights the work we have done to shape the Group's governance in 2025.

### Strategic priorities

The Board has remained focused on development of the Group's strategic priorities during the year. We have continued to invest in our technology capabilities and service delivery across the Group. This has shown a marked improvement in customer experience in the Bank and maintained our high levels in the Society.

### AGM

Good engagement with our members is vital to understanding your needs and I was delighted to be able to spend time with so many of our members at the 'meet and greet' session ahead of the 2025 AGM. Board members also joined member panel calls ahead of the AGM to gain member insights. We remain committed to enhancing our engagement with members and were pleased to see that our hybrid facilities allowed so many of you to join our AGM online again in 2025. The Board valued the chance to have an open discussion with members, with Board members joining members on their tables at the 2025 AGM to encourage this.

The 2025 AGM provided an opportunity to understand which other matters are most important for our members. Notable in that context was discussion on the topic of the acquisition of The Co-operative Bank. The Board remains satisfied that the acquisition is in the best interests of the Society's current and future members and for the long term sustainability of the Society and continues to be committed to openness and transparency on the benefits the acquisition of the Bank will provide for members.

### Sustainability

The Board is responsible for overseeing the delivery of the Group's sustainability strategy and it is a key theme of Board and Committee discussions. A lot of work has taken place during 2025 to align the separate targets of the Society and the Bank into one Group approach to sustainability from 2026 onwards, ensuring continued alignment to a number of global standards. The Board approves for publication each year, the Group's

Sustainability Report, which will be published shortly after this report in 2026.

### Consumer Duty

The Board places good customer outcomes, aligned to the FCA consumer duty, at the heart of its decision making. This ethos is also embedded in the Group's daily operations, across its product design, services, people and communication strategies and is an important consideration of the ongoing integration work.

### Board changes

In January 2025, Caroline Marsh joined our Board as a Non-Executive Director, chairing the Board Remuneration Committee during the year. Mark Parker also joined the Board with effect from January 2025.

The Board was pleased to welcome Jane Leach as a Non-Executive Director in October 2025. Jane took over the Chair of the Board Audit Committee in November 2025 from Iraj Amiri who has chaired the committee with skill and diligence for a number of years. Jane brings a wealth of financial services experience, both in business and as a Senior Advisor at the Bank of England.

The Board, with the support of the Board Nominations and Governance Committee, continues to review the composition of the Board ensuring that there is sufficient succession planning in place and that the correct mix of skills and expertise are around the table.

### Looking forward

2025 saw good progress in the integration of the Bank with the Society, but it is important to note this process will continue into 2026. 2026 will therefore see the Board continue to focus on oversight of integration activity while progressing our modernisation agenda, including the delivery of additional benefits for current and future members and customers. Throughout all of this, we will maintain high standards of governance and the strong mutual values of the Group.

### David Thorburn

Chair of the Board  
26 February 2026

# Directors' Report on Corporate Governance continued

## Governance framework

Maintaining the highest standards of governance is integral to the successful delivery of the Group's strategy. Our governance framework ensures that the Board is effective in both making decisions and maintaining oversight, whilst also adhering to our well-established purpose and values.



A review of the Group's governance arrangements was carried out in 2025 to reflect the integration of the Bank into the Group and to ensure that appropriate governance of the regulated entities within the Group is maintained. As a result, the following governance structure has been established to lead the Group, effective from 1 January 2025 and in force throughout the year.

Some Directors of the Group Board have roles on the Bank Board and its committees, for which they receive remuneration. The roles held during the year and the remuneration received is detailed on page 116.

This Report on Corporate Governance focuses on the role and activities of the Group Board ("Board") and its Group committees.

# Directors' Report on Corporate Governance continued

## Governance framework continued

### The Board

**Purpose:** Setting the Group's strategic objectives, and monitoring its overall financial performance, ensuring effective governance, controls and risk management.

**Chair:** David Thorburn

**Members at 31 December 2025:** Jo Kenrick, Iraj Amiri, Jane Leach, Caroline Marsh, Shamira Mohammed, Brendan O'Connor, Mark Parker, Iain Plunkett, Martin Stewart, Stephen Hughes, Lee Raybould

The Board delegates certain matters to its Committees. Matters discussed at Committee meetings are reported to the Board at each meeting.

#### Board Remuneration Committee

**Purpose:** Determines the Group's remuneration policy and practices, ensuring they are effective, compliant, and reflect the Group's purpose and values. The Committee is also responsible for determining the remuneration framework for the remuneration of all employees, with particular scrutiny given to the remuneration of the Chair of the Board, executive directors and executive managers.

#### Board Nominations & Governance Committee

**Purpose:** Assists the Board in maintaining high standards of corporate governance and ensuring these are consistent with best practice. Oversees the implementation of the Group's diversity and inclusion objectives. Regularly reviews the composition of the Board and leads on the appointments process for nominations to the Board, and makes recommendations to the Board on succession planning of Board directors.

#### Board Risk Committee

**Purpose:** Provides oversight and advice to the Board in relation to current and potential future risk exposures of the Group and future risk strategy, including determination of risk appetite and tolerance and the effectiveness of the Group's framework for managing risk. The Committee ensures the Executive team is held to account in ensuring risks are identified, assessed and managed effectively in accordance with the requirements of the Enterprise Risk Management Framework.

#### Board Audit Committee

**Purpose:** Assists the Board in discharging its responsibilities for the integrity of the Group's financial statements, ensuring they are fair, balanced and understandable. The Committee is also responsible for reviewing significant financial reporting judgements, and oversees the effectiveness of the system of internal control and the effectiveness of the Internal Audit function and external auditors.

#### Board Change Committee

**Purpose:** Provides oversight, strategic direction and board level governance for the Group change portfolio, assist the Board in fulfilling its responsibilities with respect to oversight of the integration of the Bank within the Group and to monitor and evaluate existing and future trends in technology that may affect the Group's strategic plan including overall industry trends.

Information on the membership of each of the above committees can be found in the relevant committee report later in the governance section.

In addition to the principal Board Committees outlined, the Board also has a Non-Executive Directors' Remuneration Committee to assist it in fulfilling its oversight responsibilities for the remuneration, expenses, gifts and hospitality of the Society's non-executive directors. This Committee typically meets once a year and its members comprise the Chair, Chief Executive, Chief Financial Officer and Chief People Officer.

# Directors' Report on Corporate Governance continued

## Corporate Governance Statement

This Corporate Governance Statement has been prepared in accordance with the Principles of the UK Corporate Governance Code dated January 2024 (the Code) that applied to the 2025 financial year. The Society met the requirements of the Code throughout 2025 with the exception of the provisions relating to engagement with institutional shareholders, which is not relevant to the Society given its mutual ownership model. Whilst not effective until 1 January 2026, throughout the year the Board has considered the Group's approach to compliance with Provision 29 of the Code. The Board's oversight of this activity will continue during 2026. The Governance Report explains how the Society has voluntarily applied the principles of the Code throughout 2025.

### Role of the Board

The Board has a collective responsibility to secure the long-term sustainable success of the Group for the benefit of its members and wider stakeholders. It must ensure the delivery of the Group's strategy and that its strategic objectives remain aligned to the Group's purpose and values. Having a robust governance framework is integral to achieving this success. It enables the Board to reach decisions in a focused and balanced way, ensuring that full consideration is given to the impact on each of the Group's key stakeholders.

The Board derives its powers from the Society's Rules and Memorandum (the Rules) which can be found in the corporate governance section of the Society's website. The Rules are based on the provisions of the Building Societies Act 1986 and other applicable law and regulation that the Society must comply with. The responsibilities of the Board are set out in a formal schedule of matters reserved to the Board, which is located on the corporate governance section of the Society's website. The Board reviews its schedule of matters reserved at least annually to ensure they reflect good governance practice, any relevant regulatory changes and the requirements of the business. The Board last reviewed its schedule of matters reserved in March 2025. The Board delegates certain matters to Board Committees so that they can be considered in more detail by the directors who have the most relevant skills and experience to do so. A summary of the role of each of the Board's Committees can be found on page 81 of this report and a more detailed account of activities undertaken by the Board Committees can be found in their respective reports from page 92 onwards. Each of the Board Audit, Board Risk, Board Change, Board Remuneration and Board Nominations & Governance Committees has terms of reference which set out their respective roles and responsibilities. These can be found on the corporate governance section of the Society's website.

The day-to-day running of the business is delegated to the Chief Executive who is supported by an Executive team with the remit of delivering the Group's strategic objectives.

### Board responsibilities

The Board seeks to meet its legal and regulatory obligations as well as fulfilling its purpose to oversee the overall management of the Group. The Board has a number of important responsibilities designed to achieve this objective extending across a number of areas as summarised below.



# Directors' Report on Corporate Governance continued

## Board activities in 2025

Board meetings are an important mechanism through which the Board discharges its responsibilities, particularly in relation to the requirements of the Code and Section 172 of the Companies Act 2006. Some of the Board's responsibilities are discharged directly, whereas others will be delegated to the Committees of the Board.

The Board's activities are planned on a 12 month rolling basis to ensure the responsibilities detailed above are discharged effectively, with additional items coming to the Board as appropriate. Each Board meeting is structured using a carefully tailored agenda that is agreed in advance by the Chair, in conjunction with the Chief Executive and Group Secretary. The contents of the agenda are made up of a combination of standing items from the Board's 12 month rolling agenda and additional ad hoc items which fall within the remit of the Board's responsibilities.

The Board's activities are structured in a way to ensure that at each meeting the Board has an opportunity to review trading and financial performance, track the Group's progress against its strategic aims, assess the Group's risk position, review governance matters and oversee the work of its Committees. As relevant, the Board will also carry out in-depth reviews on matters of strategic importance, including material IT and change programmes, the Group's sustainability performance and new product proposals. Information on directors' attendance at the scheduled meetings that took place during the year can be found on page 84.

During 2025, the Board necessarily spent a significant amount of time discussing and considering options and implications relating to the acquisition of the Bank. This focused on the integration of colleagues and stakeholders throughout the year and the timescales for integration of the Bank's customers.

The key activities considered by the Board during the year are summarised below.

## Activities in 2025

At each meeting the following standing items are considered by the Board:

**Chief Executive's assurance report:** providing an overview of the external competitive environment covering key trends across the lending and savings sectors, in addition to information on the status and progress of the Group's strategic change projects.

**Management information:** on the Group's trading and financial performance since the last meeting of the Board. Reporting on the Group's operations including people and customer service metrics and key developments across Group operations.

**Chief Risk Officer's report:** on the Group's risk position and assessment of the Group's key risks.

**Board Committee updates:** from the Chairs of the Board Committees to the Board on the key issues and topics raised at Committee meetings ensuring the Board is aware of key discussions and decisions made by the Committees.



# Directors' Report on Corporate Governance continued

## Operation of the Board

In 2025, there were nine formal meetings of the Board where the Board reviewed a range of matters (as outlined on page 83) relating to the Group's business, strategy, culture and performance, and additionally one ad hoc meeting. The integration of the Bank and setting the Group's strategy have been key themes of the discussions at Board meetings during the year.

In addition to the business as usual board meetings, the Board also held strategy days in March, July and October where it considered the Group's business model and made choices about the future direction of the business.

Members of the Group's Executive and senior leadership team are invited to attend meetings as required to present and discuss matters relating to their business and subject matter areas. Where directors are unable to attend meetings, they are encouraged to give the Chair their views in advance on the matters to be discussed.

### Board and Board Committee attendance 2025

The attendance record for Board members is shown in the table below. The table shows the actual number of formal meetings (excluding strategy days and ad hoc meetings) attended, together with the number of meetings which the directors were eligible to attend.

Name	Board	Board Risk Committee	Board Audit Committee	Board Nominations & Governance Committee	Board Remuneration Committee	Non-Executive Directors' Remuneration Committee	Board Change Committee
David Thorburn <sup>1</sup>	9/9			4/4	5/5	1/1	
Jo Kenrick <sup>2</sup>	9/9			4/4	5/5		
Iraj Amiri <sup>3</sup>	9/9	6/6	8/8				
Martin Stewart <sup>4</sup>	9/9	6/6	8/8				4/4
Shamira Mohammed	9/9		8/8		5/5		
Brendan O'Connor	9/9						
Iain Plunkett <sup>5</sup>	9/9	5/6		4/4			4/4
Caroline Marsh <sup>6</sup>	9/9	6/6		4/4	5/5		
Mark Parker <sup>7</sup>	9/9		5/5				4/4
Jane Leach <sup>8</sup>	2/2	1/1	1/1				
Stephen Hughes <sup>9</sup>	8/9					1/1	
Lee Raybould	8/9					1/1	

1. Chair of the Board and Chair of the Board Nominations & Governance Committee.

2. Chair of the Remuneration Committee.

3. Chair of the Board Audit Committee.

4. Chair of the Board Risk Committee.

5. Chair of the Board Change Committee.

6. Appointed to the Board on 3 January 2025 and Chair of Board Remuneration Committee from 3 January 2025

7. Appointed to the Board on 1 January 2025

8. Appointed to the Board on 3 October 2025 and Chair of the Board Audit Committee from 17 November 2025.

9. Group Chief Executive and Chair of the Non-Executive Directors' Remuneration Committee.

## Division of responsibilities

The Board is comprised of the Chair, nine non-executive directors and two executive directors. To ensure an effective working relationship, it is important that there is a clear division of roles and responsibilities, and that these are well understood and agreed between the individuals holding them as well as by other members of the Board and executive management.

The roles of Chair and Chief Executive are separately held and their responsibilities are well defined, set out in writing and regularly reviewed by the Board.

Each of these roles has a detailed role profile which identifies the areas of responsibility and accountability to the Board and/or Chief Executive, as appropriate, and a Statement of Responsibility, as required under the Senior Managers Regime.

# Directors' Report on Corporate Governance continued

## Division of responsibilities continued

The table below provides a summary of key responsibilities for each of these roles.

Role	Responsibilities
<b>Chair</b> David Thorburn	<ul style="list-style-type: none"> <li>• Provide leadership to the Board and to safeguard and promote the long-term success and sustainability of the Group in the interests of past and future members and customers.</li> <li>• Establish a programme of work for the Board, ensuring they are appropriately focused on strategy, performance, culture and risk management matters.</li> <li>• Empower Board members to challenge issues openly, and encourage and manage vigorous debate in order to reach effective decisions.</li> <li>• Demonstrate ethical leadership and uphold the highest standards of integrity and probity, setting clear expectations concerning the Group's culture, values and behaviour, including emphasising putting members and customers first principles.</li> <li>• Build an effective and diverse Board reflecting an appropriate balance of skills and experience given the Group's current and future activities, including leading on policies for Board member training and development.</li> <li>• Ensure effective communication with all stakeholder groups and that the Group's obligations to and interests of its stakeholders are known and understood by the Board.</li> <li>• Facilitating the Group Chief Executive's relationship with the Board and providing support to the Group Chief Executive.</li> </ul>
<b>Deputy Chair and Senior Independent Director</b> Jo Kenrick	<ul style="list-style-type: none"> <li>• Deputise for the Chair where necessary.</li> <li>• Work closely with the Chair, act as a sounding board and provide support in the delivery of the directors' objectives.</li> <li>• Serve as a trusted intermediary for the directors when necessary, including addressing any issues they feel have not been dealt with adequately.</li> <li>• Lead an annual process to review the Chair's performance and lead succession planning for the Chair of the Board's role, chairing the Board Nominations &amp; Governance Committee when it considers Chair succession.</li> </ul>
<b>Independent non-executive directors</b> Iraj Amiri Jane Leach Caroline Marsh Shamira Mohammed Brendan O'Connor Mark Parker Iain Plunkett Martin Stewart	<ul style="list-style-type: none"> <li>• Safeguard and promote the long-term success and sustainability of the Group in the interests of past and future members and customers.</li> <li>• Constructively challenge and help develop proposals on strategy and oversee the executive directors' implementation of the agreed strategy.</li> <li>• Scrutinise the performance of management in meeting agreed goals and objectives, and monitor ongoing performance against such goals.</li> <li>• Satisfy themselves that the integrity of financial information, financial controls and systems of risk management are robust and defensible.</li> <li>• Complement the skills and experience of the executive directors, in particular by providing to the Board a range of knowledge, experience and insight.</li> </ul>

# Directors' Report on Corporate Governance continued

## Division of responsibilities continued

Role	Responsibilities
<b>Chief Executive (CEO)</b> Stephen Hughes	<ul style="list-style-type: none"> <li>Responsible for the day-to-day running of the Group and accountable to the Board for the Group's financial and operational performance.</li> <li>Responsible for providing leadership and direction to and developing the vision and strategy of the Group, having regard to the duty to promote the success of the Group in the interests of members, colleagues, customers and key stakeholders.</li> <li>Communicate the vision, strategy and performance of the Society to members, employees, regulators and other stakeholders.</li> <li>Build and lead an effective Executive team to manage the Group in the longer-term interests of its members and customers.</li> <li>Ensure that effective succession and development plans are in place and implemented for all key executive roles.</li> <li>Lead the Executive team to successfully deliver agreed plans, objectives and targets.</li> <li>Monitor the effective implementation of policies and procedures for the induction, training and professional development of all persons performing designated senior management functions on behalf of the Society.</li> </ul>
<b>Chief Financial Officer (CFO)</b> Lee Raybould	<ul style="list-style-type: none"> <li>With the Chief Executive and Executive team, ensure the development and implementation of the Group's corporate plans, strategies and policies.</li> <li>Ensure that the Group is appropriately resourced to meet its strategic aims and objectives, with regular reviews of performance against objectives.</li> <li>Ensure the Group remains well funded and has sufficient liquidity to meet internal and regulatory limits.</li> <li>Ensure that plans are in place to meet the financial performance targets agreed with the Chief Executive and the Board.</li> <li>Ensure effective financial control, management and information are in place to support other business areas.</li> <li>Manage the Group's capital effectively, ensuring capital is managed within agreed risk appetites.</li> <li>Provide leadership of the Group, and the Finance function in particular, with a framework of prudent and effective controls which enable risk to be assessed and managed.</li> </ul>

## Independence

In January each year, the Board reviews the independence of its non-executive directors. In line with the Code, it considered whether there were any relationships or circumstances that were likely to affect, or could appear to affect, a director's independence.

In the opinion of the Board, all of the non-executive directors satisfy the requirements for independence and have demonstrated this in their character and judgement. The Chair of the Board, David Thorburn, is a non-executive director and, in accordance with the Code, was independent on appointment.

Letters of appointment for the directors are available from the Group Secretary or Chief People Officer on request. Details of the directors' external appointments are set out in the Annual Business Statement.

## Time commitment

Non-executive directors are not required to devote the whole of their time to the Group's affairs but must devote sufficient time to properly discharge their duties and regulatory obligations. The time that non-executive directors are expected to commit to their role at the Group is decided on an individual basis upon appointment and will depend on the director's role and responsibilities. In addition to that spent preparing for and attending Board and Board Committee meetings, the non-executive directors are also expected to dedicate sufficient time to understanding the business through meetings with management, engagement with members, attending call listening, undertaking a programme of branch and department visits, engaging with regulatory bodies and undertaking training. Each year, the Board Nominations & Governance Committee assesses whether each of the directors is able to commit sufficient time to the Group to discharge their responsibilities effectively, taking into account any external commitments they may also have. The assessment undertaken in 2025 confirmed that all directors were considered to have sufficient time to properly discharge their duties as directors of the Group.

# Directors' Report on Corporate Governance continued

## Time commitment continued

Set out below are details of the average time commitment expected of the non-executive directors.

Role	Expected time commitment
Chair	Approximately 120 days per year.
Deputy Chair & Senior Independent Director	As is required to fulfil the role.
Non-Executive Director	Average time commitment of 35 days per year.
Committee Chair	<b>Board Risk Committee Chair:</b> Approximately 12 days per year in addition to the time spent on normal non-executive director responsibilities.
	<b>Board Audit Committee Chair:</b> Approximately 10-12 days per year in addition to the time spent on normal non-executive director responsibilities.
	<b>Board Remuneration Committee Chair:</b> Approximately 10 days per year in addition to the time spent on normal non-executive director responsibilities.
	<b>Board Nominations &amp; Governance Committee Chair:</b> Approximately 6 days per year in addition to the overall time commitment required of the Chair.
	<b>Board Change Committee Chair:</b> Approximately 10 days per year in addition to the time spent on normal non-executive director responsibilities.

## Conflicts of interest

The Group's directors are subject to a Board Conflicts of Interest Policy which is reviewed regularly by the Board Nominations & Governance Committee. The policy gives effect to various legal and regulatory requirements on the Group in relation to conflicts of interest and in broad terms seeks to ensure the directors of the Group do not assume roles which would conflict with their obligations as a director of the Group. Prior to appointment, all potential directors are required to disclose any actual or potential conflicts of interest that may prevent them from taking on an appointment with the Group. In addition, all directors must seek approval from the Board (via the Chair and Group Secretary) before committing to any additional, external appointment. Where such approval is sought, the director must confirm the existence of any potential or actual conflicts and that the role will not exceed the maximum number of directorships permitted (in accordance with the Capital Requirements Directive V). The director must provide assurance that the appointment will not adversely impact their ability to continue to fulfil their role as a director.

The Group's policy and processes for managing conflicts of interest seek to ensure that any actual or potential conflicts of interest are prevented and any associated risks to the organisation of an actual or potential conflict situation materialising are mitigated. In the event of an actual or potential conflict of interest arising, the matter would be dealt with in accordance with the process under the policy and impacted parties would be notified where required.

In accordance with their duties as directors, each director is also obliged to notify the Board of any actual or potential interest that they have in a matter to be transacted at a meeting. If any potential conflict does arise, the Board Conflicts of Interest Policy permits the Board to authorise a conflict, subject to any conditions or limitations as it may deem appropriate. The Board maintains a register of conflicts of interest which is reviewed at the start of every Board meeting and actual or potential conflicts of interest are managed by the Chair or Deputy Chair, as required, with advice from the Group Secretary.

## Training and development

To enable the Board to be effective and discharge its duties, the Code specifies that each of the directors must be equipped with the necessary resources to update their knowledge and capabilities. This should be in a manner that is appropriate to the particular director, and which has the objective of enhancing that director's effectiveness in the Board or Committees. In addition to the requirements of the Code, the Group's approach to compliance with the Senior Managers Regime requires directors to undergo a 'fit and proper' assessment. The Group's Fit and Proper Policy sets out the various criteria that the Group will consider to determine if an individual is 'fit and proper', one element of which includes an assessment of competence. Accordingly, it is crucial that the right training topics are determined for members of the Board and Committees to enable the Group to meet these requirements. New directors receive formal induction training on joining the Board. This induction process is tailored to the needs of each director, given their existing knowledge and experience, and any Committees on which they will serve. Induction includes extensive engagement with directors and executives, updates on important commercial, regulatory and risk matters, and a particular focus on the culture of the Group.

# Directors' Report on Corporate Governance continued

## Training and development continued

Following appointment, all directors continue their professional development and maintain their knowledge of the Group's operations through branch and department visits, and formal training overseen by the Board Nominations & Governance Committee in line with the Board Training Policy. During 2025, Board members received training on Artificial Intelligence, the relationship with Co-operatives UK and capital and liquidity.

## Directors' skills and experience

An effective Board must comprise individuals with the right mix of knowledge, skills and experience. Ensuring this objective is achieved is one of the responsibilities of the Chair, supported by the Board Nominations & Governance Committee.

Each year the Board Nominations & Governance Committee agree a set of key skills and capabilities that provide a collective view of the Board's knowledge, experience and composition. These attributes are compiled by reference to the Group's strategic plan and in particular its purpose, values and principles and seek to define what skills, attributes and experience are needed to make the Group a success over the long term.

In 2025, there were three new members of the Board appointed. During the appointment process, the Board Nominations & Governance Committee considers the skills required and the succession planning needs of the Board. This then informs the potential candidates that are considered for any vacancies, to ensure the Board has the right composition of skills, experience and capabilities to meet the needs of the Group and its members and customers.

The skills and capabilities of the Board are kept under review throughout the year, including during the annual appraisal of each Board member, which is carried out by the Chair. During the appraisal, the training needs of individuals, and the Board as a whole, are considered. This helps to shape the structured training provided to the Board throughout the year.

## Composition, succession and evaluation

The Board delegates responsibility to the Board Nominations & Governance Committee to oversee:

- Matters relating to the composition of the Board.
- The development of a diverse pipeline for succession to the Board and executive positions.
- The results of the formal annual evaluation performance of the Board, its Committees, the Chair and individual directors.

For more information on the work of the Board Nominations & Governance Committee in respect of these matters, please see page 92 of this report.

In compliance with the Code, each director is required to submit themselves for election or re-election by members, annually, at the Society's Annual General Meeting. Before doing so, each director is subject to a formal evaluation in which the director must satisfy certain requirements regarding their fitness and propriety to undertake the role of a Board director.

These requirements are determined by the rules of the Senior Managers Regime, the Financial Conduct Authority and the Prudential Regulation Authority, and include amongst other things:

- Qualifications obtained.
- Training undertaken.
- Competence and capability.
- Honesty, integrity and reputation.

The competence of each non-executive director who served on the Board in 2025 was reviewed as part of the routine appraisal process undertaken by the Chair in respect of the non-executive directors and Group Chief Executive, the Deputy Chair in respect of the Chair of the Board and Chief Executive in respect of all executive directors. The assessment of fitness and propriety also took into account directors' independence (as outlined above) and an independent, third-party screening provider is used to carry out certain checks to confirm the honesty and integrity of each director.

Individual biographies of the directors are included in the Board of Directors section on page 74. These biographies detail the backgrounds and relevant skills of the directors. Further details on the roles and responsibilities of each of the Board directors can be found on pages 85 and 86. Details of those seeking election and re-election at the Society's 2026 Annual General Meeting can also be found in the Notice of the 2026 Annual General Meeting.

# Directors' Report on Corporate Governance continued

## Composition, succession and evaluation continued

The Society's Rules require that the Board comprises between six and 12 directors. As at 31 December 2025, there are 12 directors: the Chair of the Board, nine independent non-executive directors (including the Senior Independent Director) and two executive directors. The composition of our Board is consistent with the Code requirements, which specify that at least half of the directors, excluding the Chair of the Board, should be non-executive.

Changes to the Board during 2025 were as follows:

Name	Role	Change
Caroline Marsh	Non-Executive Director	Appointed January 2025
Mark Parker	Non-Executive Director	Appointed January 2025
Jane Leach	Non-Executive Director	Appointed October 2025

## Board evaluation

Each year, the Board and each of its Committees undergo a process to assess their performance during the year. This is a key mechanism for ensuring that the Board and its Committees continue to operate effectively and for setting objectives and development areas for the forthcoming year. The Code requires that the Board and each of its committees carry out an annual review of their performance and undertake an externally facilitated review of performance every three years. The Society had its last external review in 2021. Its next external review was due in 2024 but in light of the acquisition of the Bank and the significant changes that were proposed to the governance and structure of the Society, Group and subsidiary boards in 2025, it was recommended by the Board Nominations & Governance Committee, and agreed by the Board, that the full externally facilitated review should be postponed to 2025. Ffion Hague of Independent Board Evaluation has been appointed to carry out an independent external evaluation of the Board and its committees. The evaluation will be carried out in two phases. Phase one commenced in the second half of 2025 and phase two will take place in summer 2026.

### June and July 2025

The Board Nominations & Governance Committee reviewed the proposal and timeline for the external review of the Board and Board committees' performance at its June 2025 meeting and the Board then reviewed a longlist of potential providers at its July 2025 meeting.

### September 2025

The Board Nominations & Governance Committee considered the proposals and fee quotes from a shortlist of potential providers and noted that Ffion Hague of Independent Board Evaluation had been selected as the preferred provider for the performance review.

### November 2025 - January 2026

Phase one of the performance review process commenced.

A report of the findings and feedback from phase one of the effectiveness review was considered by the Board.

## 2025 Board performance review

Independent Board Evaluation was commissioned to conduct a board performance review in two phases, adopting a flexible approach to align with the new Group structure, allowing it to mature in a practical and effective way. The first phase was to take feedback in order to streamline and hone the way in which the Boards of the Society and the Bank are working together. The second phase will be a full externally facilitated review of the Board's performance and is planned for Summer 2026. The results of the first phase were presented and discussed at the Board meeting in January 2026.

The review concluded that the Board has operated effectively in discharging its responsibilities in 2025 with a positive culture and good relations around the board table. The process to review and evolve the governance structure has been thorough and well-received, with contiguous board meetings being held and joint board committee meetings. The review found there had been comprehensive induction for Board members taking on new roles.

# Directors' Report on Corporate Governance continued

## Board evaluation continued

### Directors' performance

The Chair of the Board appraised the performance of the non-executive directors and the Chief Executive. The Chair of the Board's performance review was led by the Deputy Chair and Senior Independent Director, and took into account the views of the rest of the Board members and certain members of the Executive team. The executive directors' performance was appraised by the Chief Executive. The conclusions of the appraisal process confirmed that all directors were fulfilling their duties and responsibilities effectively.

## The Board and its culture

The Board is also responsible for providing leadership to the Group on culture, values and ethics which are central to supporting the organisation's purpose, and the delivery of its strategic ambitions. The UK Corporate Governance Code Principle B sets out the need for the Board to lead by example in promoting the desired culture of the Group. As such, the Matters Reserved to the Board retains this responsibility to the Board of Directors as a key part of their responsibilities and activities. The Financial Reporting Council has also published guidance emphasising the importance of culture and the role of the Board in establishing and maintaining this, with particular prominence given to the need to recognise, continually assess and embed cultural leadership across organisations. The Board demonstrates these key pillars via a variety of formal Board discussion and decisions, but also through more informal activities such as department and branch visits. The Board receives regular updates through its reviews of the Group's people strategy, the results of Great Place to Work Survey and other specific employee surveys, which take place each quarter, which help provide the Board with a good understanding of the Group's current culture and give them a basis on which to analyse trends and undertake deep dives into any areas requiring further work to improve upon.

By reviewing qualitative and quantitative information from a range of sources, the Board is able to track progress and ensure that the culture reflects the shared set of values, beliefs and behaviours which are central to the Group's values. The combined culture of the newly expanded Group, following the acquisition of the Bank, has been a key consideration for the Board throughout 2025. The Board considered culture as part of their strategic discussions and planning in July, October and November 2025, when determining the strategy for the forthcoming years, with the values of the Society and the values and ethics of the Bank being a pivotal focus point for decision making. They also receive regular reporting on various other aspects of culture, such as bi-annual customer and member experience updates, reports on whistleblowing, diversity, equity and inclusion. Further detail on this can be found in the below sections on stakeholders and whistleblowing.

Iraj Amiri has supported the culture review activity completed during the year, which brought colleagues from across the Group together to help shape the culture of the combined organisation. Executive Board members present and engage with colleagues at 'Coventry Conversations', providing opportunity for open dialogue and issues that are important to colleagues to be raised. Where relevant, this can then be discussed more broadly with the Board and help to inform their decision making. The colleague Code of Conduct also clearly sets out the expectations of the Board in relation to their values and behaviours that colleagues should seek to maintain in order that the Group can operate in a fair and honest way, recognising that openness and trust are essential to creating and maintaining mutually rewarding relationships and delivering high standards of customer service.

Throughout 2025, the Board and its committees considered and received updates on people policies for the Group which would set the culture for the combined organisation moving forward. In particular, the Remuneration Committee received updates on harmonising terms and conditions, including aspects such as the approach to variable pay, which helps guide the culture of the Group. The Board also received regular updates on the integration of the Bank into the Group, including work carried out to bring the cultures of the two organisations together into one, shared Group approach.

## The Board and stakeholders

As a purpose-led building society, the Board understands the importance of engaging with the Group's stakeholders to understand how its decisions impact this wider group.

The Board takes into consideration the interests of these stakeholders as part of its discussion and decision making processes, ensuring that they continue to act in the best interest of members, colleagues and the wider stakeholder group.

One of the key ways our Board members engage with members is through our Annual General Meeting. This year saw strong engagement again from our members who attended both in person and virtually to hear from our Board about their work and the achievements of the Society during the last 12 months. Members also had the opportunity to ask the Board questions about the things that matter the most to them. These questions again covered a broad range of topics, including whether the payment of a member dividend was being considered, the Society's commitment to its branch network, the provision of debit cards for members, the Group's relationship with the co-operative movement following the acquisition of the Bank and the use of AI. The number of attendees and the depth of questions demonstrated how engaged our membership are and the importance the Board places on listening to them.

# Directors' Report on Corporate Governance continued

## The Board and stakeholders continued

Caroline Marsh attends 'My Society', the elected forum of employee representatives, and uses this as an opportunity to understand the views of employees on key matters as well as updating forum members on issues that the Board is considering. My Society members are also invited to attend and contribute directly in certain Board sessions. These meetings, alongside insight shared from our wider listening approach, inform conversations and provide qualitative insights to inform decisions made by the Board.

In addition, to the engagement through the My Society forum, there is a facilitated programme of branch and department visits where non-executive directors meet colleagues across the organisation. This has included things such as call listening, where Board members observe colleagues supporting members directly, branch visits and meeting with various teams within our head office. This engagement has included visiting branches and meeting colleagues of the Bank. Board members also participate in Member Talkback sessions, where members are invited to ask questions and engage on a variety of topics. The latest of these sessions was held in November 2025. Members were also invited to various forums throughout the year to discuss areas of interest and ask questions of Board members, such as Member Panels and Customer Research Groups. Board members have also attended Better Connections and Tea and Tech events in branches, to meet members and support local initiatives. The Board also receives detailed updates on the results of the Group's employee opinion survey which provides granular insight into the views of the Group's employees.

The view of colleagues also helped to inform thinking on the Group's net zero and climate action plan, which will be considered by the Board in the first half of 2026. On pages 17 and 18 of the Strategic Report you will find more information on the Group's stakeholders and how they influence the decisions that the Board makes. This section also forms part of our disclosure under Section 172(1) of the Companies Act 2006. Although, as a building society, we are not required to follow the Companies Act 2006, we seek to voluntarily apply its requirements where appropriate.

## Whistleblowing

The Group has in place arrangements to ensure that those who work for us speak up about concerns so that colleagues can raise concerns in confidence and anonymously if they prefer, and that these can be investigated and properly dealt with.

The Group is committed to ensuring that no one will be at risk of detrimental treatment from the Group or its employees as a result of raising a concern. Iraj Amiri, Non-Executive Director, has been appointed by the Board as the Whistleblowers Champion, demonstrating the Group's commitment to upholding the Whistleblowing standards at the highest level. The Whistleblowers Champion has overall responsibility for ensuring and overseeing the integrity, independence and effectiveness of the Group's whistleblowing policies and procedures, including arrangements for protecting whistleblowers against detrimental treatment. The Whistleblowers Champion ensures that a report is presented to the Group's Board annually regarding the effectiveness of whistleblowing systems and controls. The Group provides training on whistleblowing annually and has a specific reporting channel for its colleagues to report concerns via an independent third party.

The Group remains committed to continually evaluating its approach to whistleblowing and its effectiveness. The Board plays an active role in overseeing the Group's procedures and policies for whistleblowing and reviews a report on the effectiveness of the Group's whistleblowing procedures on an annual basis. The Group also has a designated Enterprise Leader with responsibility for this area who meets regularly with the Whistleblowers Champion and the members of the Board Audit Committee, without other management present, to discuss the Group's whistleblowing arrangements.

# Board Nominations & Governance Committee report

## Dear Member

As Chair of the Board Nominations & Governance Committee (the Committee), I am pleased to present a report to you which outlines the matters that we, as a Committee, have focused on in 2025.

## Operation of the Committee

The Committee is chaired by the Chair of the Board and the members are independent non-executive directors. Details of the skills and experience of the Committee members can be found in their biographies on pages 75 to 78. The Committee meets at least three times a year and otherwise as required. The number of meetings held in the year can be found in the table on page 84. In addition to the members, regular attendees of the Committee include: the Chief Executive, Chief People Officer, General Counsel and the Group Secretary and Head of Corporate Governance.

Following each meeting, the Chair of the Committee provides an update to the Board, summarising the matters reviewed by the Committee, and key decisions made.

## Governance

The Committee advises the Board on matters set out in its terms of reference, which are included on the Society's website at [www.thecoventry.co.uk](http://www.thecoventry.co.uk). One of the principal responsibilities of the Committee is to oversee the Group's governance arrangements on behalf of the Board, ensuring that these are consistent with relevant corporate governance standards and consistent with best practice. This is a key factor to the overall success of the Group and ensures that the decisions made are in the best interests of our members, customers and wider stakeholders as well as being consistent with our values and culture. During 2025, the Committee has continued to monitor compliance with the UK Corporate Governance Code 2024 (the 'Code') and considered in detail the Group's approach to compliance with Provision 29.

## Board composition and succession planning

As a part of its remit, the Committee is responsible for reviewing and making recommendations on matters relating to the structure, size, composition and ways of working of the Board.

This includes succession planning for the Board and overseeing the appointment of non-executive and executive directors to the Board and Board Committees of the Group. The Committee reviews the succession plans for the Board and Executive team annually, focusing on enhancing the composition of the Board, taking into account the skills, knowledge, experience and diversity of the existing members of the Board and the capabilities needed for it to be effective in delivering its responsibilities to provide oversight and governance of the Group and to safeguard the interests of its members and customers.

The Committee oversaw multiple appointments and changes to the composition of the Board at the beginning of 2025 with Caroline Marsh appointed to both the Group and Bank Boards in January 2025, and the appointment of

existing Bank Board director, Mark Parker to the Board, also in January 2025. The Committee asked Iraj Amiri to retain the Chair of the Board Audit Committee while a search for a successor was completed. Upon a comprehensive and successful search by Odgers Berndtson, who are independent of the Group and any of its directors, the Committee recommended to the Board the appointment of Jane Leach as a non-executive director and Chair of the Board Audit Committee.

## Time commitment

For all Board vacancies, the Committee must assess whether the proposed candidate has sufficient time to discharge their duties as a director of the Group, having regard to their other commitments. This assessment is carried out at least annually for all existing Board members and also upon any current Board member seeking additional external appointments.

The Committee considers that the directors currently comply with Article 91 of the Capital Requirements Directive and the Code, since all directors are able to commit sufficient time to perform their duties at the Group and none of the directors has more than the maximum number of directorships, when taking into account the provisions relating to group directorships and non-commercial organisations.

## Committee membership

The Code requires the majority of members of the Committee to be independent non-executive directors. The Committee complies with this requirement and is comprised solely of independent non-executive directors.

The members of the Committee in 2025 are:

Membership	Member since
David Thorburn <sup>1</sup>	2022
Jo Kenrick	2018
Caroline Marsh <sup>2</sup>	2025
Iain Plunkett <sup>3</sup>	2025

1. Chair and member since 28 April 2022.

2. Member since 3 January 2025.

3. Member since 1 January 2025.

# Board Nominations & Governance Committee report continued

## Diversity

Diversity and inclusion are intrinsic to the Group's values and purpose. A key strategic priority for the Group is to create an inspiring place to work which better reflects the diversity of its city and communities. The Group's approach to gender and diversity will continue to be a key factor in achieving this. As part of its remit, the Committee oversees the implementation of the Group's diversity and inclusion commitments, and carried out a detailed review of this area during the year.

One key area of focus for the Committee is the gender balance of the Board and Executive team and their direct reports. Clear succession planning is in place and takes account of the current and future diversity of senior leaders within the Group. This planning also looks closely at the external market opportunities to support achievement of our diversity and inclusion aspirations. The Committee has engaged with the Executive team to ensure accountability for progress on the Group's diversity and inclusion agenda.

The Society previously set a target to achieve 50% female membership on its Board. Progress in this area remains a priority for the Committee and following review in 2024, it was agreed that the Society would retain this ambition with a restated target date of 2028. The Committee has continued to review during 2025 the Board and Board committee composition as part of its succession planning activity, ensuring that appointments and succession plans are based on merit and objective criteria and, within this context, promote diversity of gender, social and ethnic background, cognitive and personal strengths, alongside professional experience. Board appointments will continue to ensure diverse shortlists as standard.

The Committee also considered gender balance across the Group generally, particularly in respect of improving the number of females in senior manager roles and above at the Group. As at December 2025, the Group Executive was gender balanced and the Board had 33% of roles filled by women. 39% of roles regarding direct reports of the Group Executive were held by women. The Committee endorsed the Group's diversity and inclusion ambitions during the year, including the ambition for 45% of Senior Manager and above roles to be held by women.

## Effectiveness

The Committee is responsible for overseeing the performance review of the Board. The Committee considered multiple providers to complete a 2025 Chair commissioned a Board performance review and a decision was taken to invite Ffion Hague of Independent Board Evaluation to conduct the review. The review will be conducted in two phases with phase one having commenced towards the end of 2025 and the findings were reported to the Board in January 2026. Actions arising from the review will be tracked by the Committee.

## Other key activities in 2025

In addition to the points already covered, the Committee also considered the following key matters during 2025:

- Ensured there was a comprehensive induction plan for Jane Leach, a new non-executive director appointed to the Board in October 2025.
- Reviewed and approved the Board succession plan with particular reference to executive succession and securing a pipeline of non-executive directors.
- Reviewed Board training throughout the year with a particular focus on what training was required given the changing trajectory of the Group within the financial services sector.
- Received an update on progress against existing diversity and inclusion commitments and approved Group-wide ambitions to be launched from 2026.
- Reviewed directors' proposed external appointments to ensure they did not represent a conflict of interest or exceed the number of permitted directorships or prevent directors devoting sufficient time to the Group.
- Received updates on corporate governance developments, including the review and publication of the new UK Corporate Governance Code 2024, and the Identity Verification Process required for directors.
- Reviewed arrangements for the Society's Annual General Meeting of members.

## David Thorburn

Chair of the Nominations & Governance Committee  
26 February 2026

# Board Risk Committee Report

## Dear Member

I am pleased to present the Board Risk Committee (the Committee) report for the year ended 31 December 2025. During the year, the Committee was focused on the top current and emerging risks as the activity to integrate the Bank into the Group commenced. The Committee, together with management, has continued to proactively identify, manage, monitor and mitigate the key risks facing the Group, ensuring it remains robust and resilient. The Committee has continued to provide challenge and influence regarding the Group's strategic goals and initiatives, and to ensure good outcomes for our members.

Significant work has been undertaken in the year to identify the most appropriate principal risks for the Group and the development of a Group Enterprise Risk Management Framework (ERMF). Committee members were consulted on all the key designs and recommended the final version to Board for approval.

To ensure sufficient oversight and governance of the integration and future transformation activity, Strategic Change risk was elevated to a principal risk category in 2025. We also elevated Financial Crime to a principal risk category from previously being a constituent of Operational Risk. Climate risk and Operational Resilience have been designated as thematic risks as they span across two or more principal risks.

During 2025, the Committee has performed oversight across all of the Group's principal risk categories, with performance against risk appetite reviewed on an ongoing basis. Despite the challenging external environment, the Group's risk profile has remained broadly stable versus the prior year.

To ensure the Group risk profile remains appropriate, the Committee reviewed the risk appetite statements and policies for all principal risk categories.

The Committee reviewed the strength of the Group's business plan and its projected liquidity and capital position through the Strategic & Financial Plan. It was determined that the Group continues to have sufficient capital and liquidity resources.

The Committee were updated on climate risk developments, including physical and transition risk assessments and mitigations, developments in the regulatory environment, and other key climate related activity across the Group.

The Committee has continued to challenge management on the planning and delivery of key transformational change projects, and has been kept abreast of the Group's engagement with regulators and ongoing future regulatory change.

During the 2026 financial year, the Committee will oversee further implementation of both Group risk appetite and the Group ERMF. It will review the Group's risk appetite statements, board limits and policies for principal risk categories. In addition, the Committee will continue to review the Group's future and forward-looking capital and liquidity adequacy via the Group ICAAP and ILAAP, along

with focusing on overseeing current and new regulatory expectations and monitoring the financial and operational resilience of the Group.

Enhancements to risk capability and maturity will remain an area of focus through 2026.

## Martin Stewart

Chair of the Board Risk Committee  
26 February 2026

# Board Risk Committee Report continued

## Committee role and responsibility

The Committee is a sub-committee of the Board and the most senior risk committee within the Group. It has delegated authority from the Board and assists the Board in fulfilling its oversight responsibilities for risk management across the Group.

Its responsibilities include the following:

- Providing oversight and advice to the Board in relation to current and potential future risk exposures of the Group and risk strategy, including determination of risk appetite and the effectiveness of the Group’s framework for managing risk.
- Promoting a risk culture that puts the Group’s members and customers first and overseeing implementation and maintenance of the Group’s Enterprise Risk Management Framework (ERMF).
- Reviewing key risk policies and frameworks, including key risk appetite statements.
- Ensuring the Executive team is held to account to identify, assess and manage risks in accordance with the requirements of the ERMF.
- Monitoring risks on behalf of the Board.

## Committee meetings

During 2025, the Committee met on six separate occasions. The Committee continues to operate in a flexible manner with a mixture of meetings held remotely and in person throughout the year to ensure that the Committee could appropriately oversee the Group’s risk profile. Details on meeting attendance can be viewed in the Directors’ Report on Corporate Governance.

## Committee membership

The members of the Committee in 2025 are:

Membership	Member since
Martin Stewart	2018
Iraj Amiri	2018
Iain Plunkett	2024
Caroline Marsh <sup>1</sup>	2025
Jane Leach <sup>2</sup>	2025

1. Member from January 2025.  
 2. Member from November 2025.

## Key matters considered by the Committee

At each meeting, the Committee considered a consolidated risk report prepared by the Group’s Risk function. These reports highlighted key risks for consideration by the Committee. In addition, during 2025, among other things, the Committee:

- Reviewed and recommended to the Board, the new Group ERMF.
- Reviewed the strategic and emerging risks relating to the Group’s 2026-2030 Strategic Plan.
- Reviewed the Group’s risk appetite framework, including risk limits and risk indicators for each of the principal risk categories and considering the impact of the acquisition of the Bank on risk appetites.
- Reviewed risk policies for principal risk categories, including the creation of Group policies.

- Agreed a risk oversight plan and monitored second line risk oversight and progress in delivering a programme of thematic reviews.
- Reviewed the Group Recovery Plan and Resolvability Assessment Framework.
- Reviewed stress test assumptions for the Group’s and Society’s ICAAP and ILAAP.
- Reviewed the Model Risk Framework and model development integration.
- Received updates relating to technology and data and security risks.
- Reviewed the Operational Resilience Self-Assessment and received updates on outsourcing and third-party risk management.
- Reviewed an assessment of the independence and performance of the Risk function.
- Received updates on regulatory change.
- Reviewed the Committee’s terms of reference.

A private session was also held between Committee members, the Chief Risk Officer (CRO) and the CRO’s direct reports to provide an opportunity for discussion about risk matters without management presence.

Please refer to the Risk Management Report for the principal risks facing the Group, and the Strategic Report for a summary of the inherent risks in the Group’s business model. The Risk Management Report contains information relating to how risk is managed across the Group.

## Committee effectiveness

At the end of 2024, the Board and Board Committee performance assessments were conducted by a desktop survey issued by Halex Consulting, the results of which were reviewed in January 2025. An external board performance review was commissioned and commenced towards the end of 2025 to be conducted in two phases. The results of the first phase, an initial review of how the new Group board structure is working, were presented to the Board in January 2026 and the second phase in Summer 2026 will include a review of committee performance.

## Looking forward

During 2026, the Committee will provide oversight of risk management across the Group, including overseeing the further implementation of both Group risk appetite and the Group ERMF. Implementing the ERMF well is a core plank of enhancing our risk management capability. Oversight of the full risk profile of the Group will continue to be a key priority given the potential risks emerging from political uncertainty, a volatile macroeconomic environment and noting the strategic change risk that the Group is facing. Ensuring good outcomes for our members and customers will always be at the heart of our Risk Management.

# Board Audit Committee Report

## Dear Member

As Chair of the Board Audit Committee (the Committee), I am pleased to present our report for 2025, which sets out the work carried out by the Committee throughout the year. I joined the Committee as Chair in November 2025, taking over from Iraj Amiri, who continues in his role as Chair of the Bank Board Audit Committee. I would like to take this opportunity to thank Iraj for chairing the Committee for the past seven years.

We directed the Committee's oversight responsibilities relating to accounting, financial reporting and internal control matters through what has been another busy year.

Key impacts on the Group's accounting and financial reporting matters continued to demand specific consideration by the Committee.

Accounting for the acquisition of The Co-operative Bank, including recognition of the gain on acquisition and consideration of the impact of aligning accounting policies for the combined group have been considered by the Committee during the year. The Committee also focused on the recognition and carrying value of the deferred tax asset in relation to the Bank's historic losses and expected credit losses recognised against the combined Group's lending portfolio.

The Committee continued to monitor the integrity of the Group's external reporting and reviewed the significant financial reporting judgements and estimates which underpin the financial statements. More information on these judgements is included in this report. The Committee also presided over matters related to climate change standards and disclosures aligned to the Task Force on Climate-related Financial Disclosures (TCFD) and the Global Reporting Initiative (GRI) standards, as presented within the Group's Sustainability Report.

As a result of the work performed, the Committee has been able to provide assurance to the Board that the Annual Report & Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for members and other stakeholders to assess the Group's financial position and performance, business model and strategy.

The effectiveness of the Group's internal controls and risk management systems also continued to be a core consideration of the Committee during the year. The Committee reviewed the activities, findings and performance of the Internal Audit function during the year, including the effectiveness of the function, the adequacy of its departmental budget and the remuneration of the Chief Internal Auditor.

The Committee also provided oversight of the Group's procedures and policies for maintaining probity during the year, including whistleblowing, assessed their overall efficacy and reviewed an annual report on the effectiveness of whistleblowing procedures prior to submission to the Board.

We monitored the external auditors' independence and objectivity, and assessed the effectiveness of the external audit process, in addition to recommending the appointment and approving the remuneration and terms of engagement of the external auditors.

More information on each of the above items is included in the report.

## Jane Leach

Chair of the Board Audit Committee  
26 February 2026

# Board Audit Committee Report continued

## Role and membership of the Committee

The role of the Committee is to review and assess the integrity of the Group's financial reporting and statements, in addition to monitoring the effectiveness of internal controls and risk management systems, and overseeing the work of the Internal Audit function and external auditors.

The Committee's members are independent non-executive directors who are able to draw on their experience to review and challenge the work of management in these areas.

The Committee advises the Board on matters which are set out in its terms of reference, which are included on our website at [www.thecoventry.co.uk](http://www.thecoventry.co.uk). The Committee reviews its terms of reference and its roles and responsibilities annually against the Financial Reporting Council's (FRC) Guidance on Audit Committees. This review was completed during 2025 with changes made to the Committee's responsibilities to reflect the acquisition of The Co-operative Bank.

The Board is satisfied that all Committee members have recent and relevant financial services sector experience and that Jane Leach, Iraj Amiri and Shamira Mohammed are professionally qualified accountants.

The members of the Committee in 2025 are:

Membership	Member since
Jane Leach <sup>1</sup>	2025
Iraj Amiri <sup>2</sup>	2018
Shamira Mohammed	2019
Mark Parker <sup>3</sup>	2025
Martin Stewart	2018

1. Chair from 17 November 2025.

2. Chair until 16 November 2025.

3. Member from 1 January 2025.

More information on the Group's committee structure is included in the Corporate Governance Report.

## Committee attendance

The Committee met eight times during 2025. All Committee meetings are routinely attended by the Chief Executive, Chief Financial Officer, Chief Risk Officer, General Counsel, Chief Internal Auditor and the external auditor. Other senior managers are invited to attend meetings as required.

The Committee meets both the Chief Internal Auditor and the external auditor without management present at least once during the year to enable issues to be raised privately if necessary. The Committee Chair also meets privately with the Chief Internal Auditor and the external auditor on a regular basis.

## The effectiveness of the Committee

For 2024, the Board and Board committees effectiveness assessments were conducted by a desktop survey issued by Halex Consulting. This survey was issued to Committee members and regular attendees. The results of the assessment were reviewed by the Committee and the Board in January 2025, which concluded that the Committee had operated effectively in discharging its responsibilities in 2024.

An external board performance review was commissioned and commenced towards the end of 2025 to be conducted in two phases. The results of the first phase, an initial review of how the new board structure is working, were presented to the Board in January 2026 and the second phase in summer 2026 will include a review of the Committee's performance.

## Key areas of focus during 2025

Significant matters that were considered by the Committee during the year, working closely with the Board Risk Committee, the Group's Risk function and Internal Audit, are set out in the following sections.

### Preparation of financial statements and key areas of judgement

When assessing both the interim and full year 2025 financial statements, the Committee carefully considered areas subject to management judgement, which included the following:

#### Accounting for the acquisition of The Co-operative Bank

The Committee considered the impacts on financial reporting and application of IFRS 3 'business combinations' on the external reporting of the Society and the enlarged Group. This included determination of the acquirer and acquisition date (including change of control), as well as assessment of the day one purchase price allocation, resulting gain on acquisition recognised and the key judgements which inform the calculation. The key judgements considered are cost of debt on the fair value of loans and advances to customers; determination of intangible assets arising on acquisition; and the cost and mix of funding used to value the identified Core Deposit Intangible. The disclosure requirements for the business combination were also considered.

The impacts of aligning accounting policies across the Group post acquisition have also been considered by management and the Committee. The key areas for consideration were the reset of expected credit loss provisions, the restart of hedge relationships on acquired derivative financial instruments and carrying value of assets in light of strategic integration decisioning.

#### Calculation of expected credit loss provisions under IFRS 9

The Committee continued to review the Group's IFRS 9 accounting policies during 2025 to ensure that they remain appropriate. The Committee reviewed the basis of calculating ECLs, including identifying any significant changes in credit risk and the application of post model adjustments to the overall ECL provision, and the potential impact of climate change on the Group's mortgage portfolio. This includes the reset of the ECLs on the acquired Bank lending portfolios.

The calculation of ECLs for loans and advances to customers has continued to require management judgement as the economic environment stabilised after the pressures on affordability which have been key considerations in recent years. Consideration of appropriate provisioning levels on specific cases within the acquired small corporate lending portfolio is also required. The Committee's role is to make sure that appropriate judgements are applied. The ECL provision

# Board Audit Committee Report continued

has increased to £44 million (2024: £24 million) including post model adjustments of £7 million (2024: £6 million).

The Committee challenged management on the calculation methodology and is satisfied with the rationale and method for determining the required post model adjustments and for recognising or releasing post model adjustments as required.

The Committee also reviewed the alternative economic scenarios that have been used in the provision calculation and the weightings that have been assigned to them along with sensitivity of the provision to different weightings and other key assumptions.

The financial statements disclosures were also reviewed to ensure that sufficient information on the judgements applied is included in the Group's financial statements. The Committee was satisfied with the adequacy of the provisions and the appropriateness of the disclosures made.

## Recognition of deferred tax assets in relation to the Bank's historic losses

On the acquisition of the Bank, the Group acquired recognised and unrecognised deferred tax assets relating to historic tax losses, which may be utilised against future profits. Significant accounting judgment is required to determine the validity of recognition and appropriate value of such assets at a reporting period date. The Committee considered a range of scenarios and possible outcomes, aligned to the Group's latest approved strategic plan, in their assessment of the Group's approach to recognition of deferred tax assets at 31 December 2025.

## Revenue recognition and EIR methodology

The Group recognises income on its mortgage loans using the Effective Interest Rate (EIR) method. This applies a rate of return that reflects a constant income yield over the expected life of the lending assets based on expectations of future loan redemption and interest rates. The EIR calculation is most sensitive to assumptions on loan redemption and the difference between fixed rates and Standard Variable Rates in the future.

The Committee considered the key assumptions of EIR methodology and expectations of future changes. The Committee concluded that the accounting treatment was appropriate.

## Defined benefit pension schemes position

The Committee also considered the calculation of the Group's defined benefit pension obligation including the valuation of the Schemes' assets and the assumptions that are used to calculate the Schemes' liabilities. The Committee is satisfied that the total Group reported pension position is appropriately stated.

## Going concern and long-term viability

The Committee evaluated whether adopting the going concern basis of accounting was appropriate and separately considered the Group's long-term viability, taking account of the principal risks facing the Group, including those that could threaten the Group's business model, future performance, solvency and liquidity. The range of macroeconomic scenarios on the Group's business continued to be reviewed, including revisions to

stress testing and forecasts as a result of updated forward-looking assumptions.

In particular, the Committee considered the periods over which the Group's prospects and long-term viability should be assessed, along with the basis of these assessments.

It was concluded that a three year statement on long-term viability remained appropriate taking into account the planning and stress testing carried out by the Group, combined with increased and inherent uncertainty in the outer years of the Strategic Plan resulting from economic and market conditions and predictions. The Committee concluded that the going concern and long-term viability assessments were appropriate and statements on these matters are included in the Directors' Report.

## Fair, balanced and understandable

The Committee considered whether the Annual Report & Accounts, taken as a whole, were fair, balanced and understandable. The Committee satisfied itself that there was a robust process of review and challenge at different levels within the Group, to ensure balance and consistency, and that this is reflected in the Annual Report & Accounts. Its review included:

- Providing guidance on drafting.
- Making sure all messages are communicated as simply as possible and that the Strategic Report is comprehensive, including the approach to underlying performance presentation.
- Ensuring factual content and statements have been verified.
- Central coordination and thorough review including review by a non-specialist.
- Comprehensive review by senior executives including the Board committees' Chairs prior to wider Committee consideration.

The Committee also considered other information regarding the Group's performance presented to the Board during the year. After consideration of all relevant information, the Committee concluded that it could report to the Board that the Annual Report & Accounts were fair, balanced and understandable.

## Disclosure preparation

The Committee was briefed on the Annual Report & Accounts disclosure preparation process and control environment supporting the activity, concluding that it remained robust.

## Updates on reporting developments and requirements

Regular updates and training on financial reporting developments and disclosures were provided to the Committee during the year. This included a briefing on accounting for derivative financial instruments and hedge accounting and reviewing the Group's approach to reporting an underlying measure of performance.

# Board Audit Committee Report continued

## The Group's internal control and risk management arrangements

The Committee reviewed the effectiveness of internal control and risk management arrangements through regular reporting from Internal Audit, the Risk function and the external auditor. In addition, the Committee reviewed the assurance statements received from the Chief Internal Auditor on internal control and from the Chief Risk Officer on risk management.

During 2025, Internal Audit continued to assess internal control and risk management systems related to Group functions and activities where external economic conditions have the potential to impact member and customer servicing. The Committee received the results of formal assessments related to the key change initiatives, including activities associated with the integration of the Bank as well as functional control improvement plans related to areas across the Group that included information security management, technology risk management and data governance and management.

The Committee received regular reports during the year on whistleblowing and concluded that the arrangements were operating effectively and there were no material matters of concern.

Further information on the Group's approach to internal control and risk management is included in the Risk Management Report.

## The activities of Internal Audit

The role and responsibilities of Internal Audit are set out in the Internal Audit Charter that was reviewed and revalidated by the Committee during the year. A copy of this Charter is available on the Society's website [www.thecoventry.co.uk/InternalAudit](http://www.thecoventry.co.uk/InternalAudit).

In addition to approving the annual Internal Audit Plan and budget, the Committee reviewed and approved amendments to the Plan and resources throughout the year.

The Committee received regular reports from the Chief Internal Auditor setting out the results of assurance activity related to Group operations and strategic change initiatives, progress in delivery of the annual Internal Audit Plan and the adequacy of resources.

Internal Audit's assessments also considered the Group's progress with bringing the Society and Bank's central support functions together, with multiple engagements completed that evidenced good progress with integration and harmonisation activities right across the Group. Assessments regarding the delivery of multiple, complex change initiatives were also undertaken in relation of programmes directed at replacing or updating critical information technology infrastructure across the Group. Change assurance work also included the continued assessment of the finance transformation programme, with 2025 assurance work focused on the adoption of a new regulatory reporting system and the mobilisation of a new Group treasury management system.

Significant findings and thematic issues identified were considered by the Committee, together with management's response and completion of remedial

action commitments made in respect of previously issued audit reports.

During the year, Internal Audit supported the Committee by ensuring that there was appropriate consistency and rigour in the process of preparing and reporting of climate and other sustainability-related disclosures as well as completing an independent review of the Annual Report & Accounts disclosure preparation assessment.

The Committee oversaw a review of the effectiveness of the Internal Audit function led by the Chief Internal Auditor. The review considered the quality of work, the appropriateness of skills and resources within the team and compliance with the Standards set out by the Chartered Institute of Internal Auditors'. The Committee was satisfied that the Internal Audit function remained effective.

The Chartered Institute of Internal Auditors' Standards require the Committee to obtain an independent and objective external assessment of the effectiveness of the Internal Audit function at least every five years. The Chair of the Committee is required to oversee the process and approve the appointment of the independent assessor.

The effectiveness of the Internal Audit function was last subject to independent external assessment in 2024. The Committee will select the most appropriate time to complete the next external assessment, following completion of Internal Audit's integration and harmonisation work.

## External auditor

As well as discussing external audit findings, the Committee is responsible for overseeing the relationship with the external auditor and the quality of the audit process. During the year this included the following:

### Audit plan

Prior to the annual audit commencing, the Committee considered PwC's audit plan including materiality levels, areas of audit focus, terms of engagement and fees payable for the audit. As part of the review of the 2025 Interim Financial Report and audit of the annual financial statements, the Committee received a report setting out: the work performed in areas of significant risk and management judgement and conclusions for each area; a summary of adjustments and differences; and internal control recommendations. In recommending approval of the interim and annual financial statements, the Committee considered the matters set out in these reports.

### Auditor consideration of acquisition

The external auditor has considered the impacts of the acquisition of The Co-operative Bank within its audit plan presented to the Committee during the year. Extensive updates have also been provided with regards the accounting for the acquisition, accounting policy alignment and consideration of key judgments as the work has progressed in parallel to the core annual reporting cycle. This includes the use of valuation experts as part of the acquisition accounting.

# Board Audit Committee Report continued

## Audit quality

The Committee oversees external audit quality. Committee meetings consider factors that impact external audit quality, and conclusions on external audit effectiveness are formalised and assessed by the Committee each March, as part of the year end reporting process. The factors considered included:

- The technical skills and industry experience of the audit engagement partner and wider audit team.
- The appropriateness of the proposed Audit Plan, the identification of significant risk areas and the effective performance of the audit in line with the agreed plan.
- The quality of communication between the external auditor and the Committee, and the effectiveness of interaction between management and the external auditor.
- The quality of reports to the Committee on accounting matters, governance and internal control.
- The reputation and standing of the external auditor.
- The independence and objectivity of the external auditor.

The Committee also considers any Financial Reporting Council Audit Quality Inspection and Supervision Reports on PwC.

In March 2025, the Committee concluded that the external audit process was effective, and it was satisfied that there were no matters of concern with respect to the external auditor's independence or objectivity.

The results of the next assessment will be considered by the Committee in March 2026, at the conclusion of the year end reporting process, with any areas for improvement shared with the lead audit partner for consideration.

## The appointment of the external audit firm to undertake non-audit services

The Committee regularly reviews and monitors the Group's relationship with the external auditor to ensure that auditor independence and objectivity are maintained at all times. The Committee has developed a policy and framework which defines the approach to non-audit engagements and reflects the guidance in the FRC's Revised Ethical Standard from 2024. At no time does the external auditor audit its own work, make management decisions for the Group, create a conflict of interest or find itself in the role of advocate for the Group. The Committee keeps non-audit engagements under review and receives regular reports from the external audit partner confirming that adequate safeguards for independence remain in place.

During 2025, the Group engaged the external audit firm to provide certain non-audit services, including assurance engagements in relation to the Group's debt issuances. All engagements complied with the Group's policy.

The Committee received regular updates on the nature and cost of the engagements, seeking to ensure that they were appropriate. Details of the fees paid to the external auditor for audit and non-audit services are set out in note 10 to the accounts.

# Board Change Committee Report

## Dear Member

I am pleased to present to you the first report of the Board Change Committee (the Committee) which provides an update on the activity of the Committee throughout the year.

2024 was the first full year in operation of the Board Technology Oversight Committee, which had been established following a previous independent review. During 2025, the focus of the Board Technology Oversight Committee evolved and in March 2025, it was agreed that the Board Technology Oversight Committee should be reconstituted as the Board Change Committee. The remit of the Committee was expanded to include oversight of key change activity that would drive the Group forward.

The focus of the Committee throughout 2025 included oversight of integration activity, understanding the change requirements of the wider Group following the acquisition of the Bank and the technological developments required to enhance the service and benefits delivered to the Group's members and customers.

The Committee considered in detail the prioritisation of change activity for 2026. The Group is at a pivotal moment in its history and the Committee has played an important role in ensuring the change activity needed to grow the Group is appropriate and delivered in a safe and timely manner.

## Iain Plunkett

Chair of the Board Change Committee  
26 February 2026

# Board Change Committee Report continued

## Role of the Committee

The role of the Committee is to provide oversight to the Board on matters relating to the Group's technology strategy, technology investment, strategic architectural direction and cyber security. This includes oversight of both delivery and performance in each of these areas. The Committee is also responsible for approving and monitoring spend for transformational change projects, in line with the Group's overall budget.

The Committee advises the Board on matters set out in its terms of reference, which are included on the Society's website at [www.thecoventry.co.uk](http://www.thecoventry.co.uk). The Committee reviews its terms of reference and its roles and responsibilities annually, with its terms of reference last being approved by the Board in March 2025.

## Committee membership and attendance

The Committee met four times during 2025, twice as the Board Technology Oversight Committee and twice as the Board Change Committee. The Committee consists exclusively of independent non-executive directors.

The members of the Committee in 2025 are:

Membership	Member since
Mark Parker <sup>1</sup>	2025
Iain Plunkett <sup>2</sup>	2024
Martin Stewart	2023

1. Member of the Committee from 1 January 2025

2. Chair and member since 1 July 2024

Iraj Amiri and Brendan O'Connor were members until 31 December 2024.

The Committee is supported by several members of the Executive Committee who regularly attend its meetings including the Chief Operating Officer, Chief Information and Digital Officer, the Chief Executive, Chief Financial Officer, Chief Risk Officer and Chief Internal Auditor.

## The effectiveness of the Committee

At the end of 2024, the Board and Board Committee performance assessments were conducted by a desktop survey issued by Halex Consulting, the results of which were reviewed in January 2025. An external board performance review was commissioned and commenced towards the end of 2025 to be conducted in two phases. The results of the first phase, an initial review of how the new Group board structure is working, were presented to the Board in January 2026 and the second phase in Summer 2026 will include a review of committee performance.

## Key areas of focus during 2025

The Group remains focused on delivering the best service across its product offerings for its members and customers. Investing in improving technology capabilities for our members and customers is one of the ways we seek to achieve this. During 2025, the Committee oversaw the start of a programme to replace the Group's customer ecosystem, which includes its mortgage and savings platforms and the delivery of the Bank's strategic project to move data centres to a cloud based solution. Both projects are longer terms programmes which will deliver

improved technological capabilities for the Group's members and customers.

Maintaining a stable, secure and resilient technology estate is a key priority for the Group. During 2025, the Committee has overseen work done to upgrade the Society and Bank's IT estates and its operations.

Other key matters overseen by the Committee during 2025 include:

- Considering the remit and scope of the Committee's activity, leading to the reconstitution of the Committee as the Board Change Committee with expanded responsibility for providing oversight of non-technology, as well as technology-related change activity.
- Receiving regular updates on the Group's change portfolio of work, including delivery of key projects.
- Approving the plan for integration activity and overseeing its delivery.
- Reviewing the roadmap for digital acceleration.
- Reviewing the re-planning activity for the Bank's strategic project to move data centres to a cloud based solution.
- Agreeing the 2026 change priorities for the Group.

## Looking forward

2026 will be an important year for the Group with a large volume of change activity planned, including progressing with the strategic projects covering the move of the Bank's data centres to cloud based solutions and plans for a replacement customer ecosystem along with the continued integration of the Bank.

# Directors' Remuneration Report

## Report of the Board Remuneration Committee to members

### Dear Member

On behalf of the Board Remuneration Committee (the Committee) of the Board, I am pleased to present this report to you, which outlines how our Remuneration Policy has been applied during 2025 and how we intend to apply it in 2026.

This is my first report since being appointed Chair of the Committee on 3 January 2025. I would like to thank Jo Kenrick, the outgoing Committee Chair, for her support through 2025 and for continuing to serve as a member of the Committee.

We will be seeking an advisory vote on this Remuneration Report at the 2026 AGM.

### Looking back at 2025

2025 has been a pivotal and successful year as we completed the acquisition of The Co-operative Bank and started to bring the two organisations together.

Despite a challenging economic and competitive environment, we have delivered on all the commitments we set out at the start of the year - delivering disciplined profitable growth, a strong operational performance and achieving our integration milestones. We sustained our commitment to member value paying a saving premium of £398 million and the Society's Net Promoter Score remains excellent at +75. I am particularly pleased that we also maintained high levels of colleague engagement during this period of substantial change.

In last year's Remuneration Report, we outlined how the increase in scale and complexity arising from the acquisition would place significant additional demands on our colleagues and specifically on our executives. In recognition of this, we introduced a number of changes to our Remuneration Policy which came into effect in 2025. These changes, which were approved by members at the 2025 AGM, were also designed to ensure that our executive remuneration (both fixed and variable pay) was aligned with the market so that we could continue to recruit and retain the talented people we need to deliver the performance our members expect.

These changes have meant that our executive directors base salaries and variable pay opportunities were increased in 2025. Their variable pay includes:

- An Annual Incentive Plan (AIP);
- a Long-Term Incentive Plan (LTIP); and
- for 2025 only, an Integration and Retention Award.

The maximum potential variable pay for executive directors is normally 200% of base salary but the one-off addition of the Integration and Retention Award means that they have had the potential to earn up to 300% of base salary for 2025 in recognition of the exceptional demands placed on them in this critical year. This additional award is the primary driver of the year-on-year increase in our executive directors' total remuneration.

The Committee believes that the new Remuneration Policy has achieved its objectives in 2025 and has operated as intended, rewarding delivery of our strategic objectives in a manner commensurate with the increased scale and complexity of the business, and appropriately positioned relative to our peer group.

Taking each element of our executives' 2025 variable pay in turn:

### Annual Incentive Plan

Business performance is measured through a balanced scorecard which the Committee uses to determine annual variable pay for all colleagues - both the AIP for our executives and the all-colleague bonus schemes. The scorecard comprises nine equally weighted and stretching financial and non-financial measures which support our strategic priorities. Each of these measures was achieved or exceeded in 2025.

As a result of this robust performance, the Committee approved an above target outcome for both the AIP and Success Share bonus.

Full details are included on page 112.

### Long Term Incentive Plan

During 2025, the first LTIP awards were granted to our executives. The Committee approved the Plan's design and performance measures which span a three year period from 1 January 2025 to 31 December 2027. The measures are aligned to the Group's longer-term priorities and provide a clear link to the interests of our members and customers.

Subject to the performance conditions being met, LTIP awards will start to vest after the three year performance period has ended. Awards for executive directors will normally be released no earlier than five years from the date of grant, in compliance with the UK Corporate Governance Code.

Further details on the LTIP are included on page 113.

### Integration and Retention Award

The Committee recognised the importance of delivering on our integration milestones in this pivotal year. Therefore, for 2025 only, an Integration and Retention Award was introduced to help us retain and reward colleagues critical to integration delivery.

All the integration targets were met in 2025, so the Committee approved payment of this award.

Full details of this award are included on page 114 of this report.

# Directors' Remuneration Report continued

## Report of the Board Remuneration Committee to members continued

### Looking ahead to 2026

Following the acquisition of the Bank, we now have almost 6,000 colleagues.

I have very much enjoyed and benefitted from attending our colleague forums during 2025. I look forward to continuing to meet regularly with colleagues across the Group in 2026 so that I can represent their perspectives in the boardroom and provide feedback to them on the Board's discussions and decisions.

To align all colleagues behind our shared purpose and to ensure that all colleagues are rewarded equitably, we will be harmonising employment terms and conditions across the Group with effect from 1 April 2026. Our proposals have received very strong support from colleagues.

The Committee will continue to provide oversight and advice to the Board in 2026 on remuneration practices for the broader workforce to ensure that all colleagues are remunerated and rewarded consistently and fairly.

As we highlighted in last year's report, we operate in a highly regulated industry. In October 2025, the Bank of England confirmed changes to the Remuneration Code rules which apply to us. The changes are designed to strengthen the link between the actions of executives and their financial rewards.

The Committee has carefully considered the rule changes and has agreed to apply them from the 2025 performance year. We have decided to go beyond the minimum regulatory deferral requirements in two areas. The LTIP awards for the Group's executive directors will be subject to a total vesting and holding period of five years in line with the UK Corporate Governance Code rather than the minimum four year period specified in the Remuneration Code. The Integration and Retention Award will be paid to executive directors in three equal instalments over the period 2026 to 2028.

The Committee believes that our current Remuneration Policy is sufficiently flexible to accommodate these latest rule changes, however we will keep regulatory and market developments under review in the year ahead to ensure that our Policy remains fit for purpose.

### Stakeholder engagement

As a mutual organisation, the Committee's remuneration decisions will always have at their heart the Group's purpose and values and the interests of our members and customers.

Whilst voting arrangements for the Directors Remuneration Report and any future changes to our Remuneration Policy are advisory, meaning that the directors' remuneration is not conditional upon them, the Committee will continue to take into account your feedback in its decision-making.

Thank you for your continued support.

### Caroline Marsh

Chair of the Board Remuneration Committee  
26 February 2026

# Directors' Remuneration Report continued

## The Board Remuneration Committee

This section of the report provides more detail on the Board Remuneration Committee, its membership, its governance and the principal activities of the Committee during 2025.

### Committee membership and attendees

The Committee consists exclusively of independent non-executive directors and the Chair of the Board.

The members of the Committee in 2025 are:

Membership	Member since
Caroline Marsh <sup>1</sup>	2025
Jo Kenrick <sup>2</sup>	2017
Shamira Mohammed	2023
David Thorburn	2022

1. Chair of the Committee from 3 January 2025.

2. Chair of the Committee until 31 December 2024.

The Committee seeks input from the Chief People Officer, the Head of Reward and People Services and the Chief Executive, who are invited to attend meetings. The Chief Risk Officer and the Group Secretary are invitees where appropriate. The Committee also benefits from specialist advice from its independent remuneration advisor (Deloitte LLP).

### Governance and the role of the Board Remuneration Committee

The Committee has overall responsibility for remuneration matters delegated to it by the Board. The Committee's role is to consider the Group's Remuneration Policy and the specific remuneration packages for the Group Chair, executive directors and executive managers and any other colleagues who are deemed to fall within the scope of the PRA/FCA Remuneration Codes. The Committee also provides oversight of the pay practices for the broader Group workforce.

All decisions about remuneration have at their heart the Group's purpose and values and the interests of members and customers.

The Group follows the PRA's Code on Remuneration Practices and Disclosure Requirements and, in addition, aligns its Remuneration Policy with the PRA's best practice guidelines and the UK Corporate Governance Code where applicable.

The Committee's work is particularly focused on ensuring that variable pay awards for colleagues and executive directors reward good performance, are not excessive, and drive sustainable growth and reasonable risk-taking.

The Committee considers that the Remuneration Policy has operated as intended in 2025.

## Activities during 2025

During 2025, the Committee undertook activity in these areas:

### Variable pay

- Considered the outturn of the 2024 balanced scorecard to determine the 2024 Success Share scheme payment and the 2024 Executive Variable Pay Plan (ExVPP) payment.
- Approved the performance measures for the 2025 balanced scorecard for the Annual Incentive Plan and the design and performance measures for the 2025 Long-Term Incentive Plan.
- Approved the one-off Integration and Retention awards and monitored performance against the agreed integration targets for each participant.
- Approved deferred and retained payments from in-flight executive variable pay plans, ensuring these were in line with the Group's Remuneration Policy.
- Considered the Risk function's annual review of any grounds to recover or withhold variable pay awards.

### Fixed pay

- Approved the Group's salary review approach and received analysis of its application.

### Governance

- Approved updates to the Group's Remuneration Policy.
- Received a report from the Risk function that gave assurance that the Group's remuneration framework had not encouraged excessive risk taking.
- Oversaw an assessment of colleagues whose responsibilities could impact the Group's risk profile.
- Approved the Group's Prudential Regulation Authority (PRA) Remuneration Policy Statement and Material Risk Taker (MRT) disclosures.
- Approved the Directors' Remuneration Report.
- Considered the Group's gender and ethnicity pay ratios and CEO pay ratio and noted future diversity and inclusion actions.
- Received an update on the regulatory consultation on remuneration reform and considered options for the implementation of the final regulations.
- Received regular updates on proposals for the harmonisation of employment terms and conditions for all colleagues across the enlarged Group.

### Other

- The Committee Chair also engaged with the broader workforce through the Group's colleague forums, to explain the work of the Committee and the Board and to take feedback from representatives.

# Directors' Remuneration Report continued

## Annual Remuneration Report

This section of the report details how the Remuneration Policy, approved by an advisory vote at the Annual General Meeting in 2025, was applied during 2025. Remuneration awarded to executive and non-executive directors for 2025 is set out and is in accordance with the Policy.

The total remuneration that was earned by each executive director for 2025 and 2024 is shown below:

### Total remuneration earned by executive director

(Audited)	Fixed remuneration			Variable remuneration				Total remuneration £000
	Base salary £000	Taxable benefit £000	Pension allowance <sup>1</sup> £000	Total fixed £000	Annual Incentive Plan £000	Integration & Retention Award £000	Total variable £000	
<b>2025</b>								
Stephen Hughes	800	10	80	890	592	700	1,292	2,182
Lee Raybould	575	13	58	646	425	475	900	1,546
<b>Total</b>	<b>1,375</b>	<b>23</b>	<b>138</b>	<b>1,536</b>	<b>1,017</b>	<b>1,175</b>	<b>2,192</b>	<b>3,728</b>

(Audited)	Fixed remuneration			Variable remuneration				Total remuneration £000
	Base salary £000	Taxable benefit £000	Pension allowance <sup>1</sup> £000	Total fixed £000	Success Share £000	ExVPP £000	Total variable £000	
<b>2024</b>								
Stephen Hughes	671	10	67	748	107	361	468	1,216
Lee Raybould	464	12	46	522	74	245	319	841
<b>Total</b>	<b>1,135</b>	<b>22</b>	<b>113</b>	<b>1,270</b>	<b>181</b>	<b>606</b>	<b>787</b>	<b>2,057</b>

1. Pension allowance includes both contributions to the Group's defined contribution pension scheme and cash payments in lieu of contributions.

### Further information on individual remuneration elements: executive directors

#### Base salary 2025

As discussed in last year's report, the Committee considered the base salary increases for the executive directors in 2025 in the context of:

- the acquisition of The Co-operative Bank, and the increased size and scope of executive roles; and
- ensuring base salaries and total remuneration are appropriately positioned to recruit, motivate and retain executives of the calibre required to manage the enlarged and more complex Group.

Consequently, the Committee agreed the following base salaries effective from 1 January 2025.

Executive director	Effective 1 January 2025 £	Effective 1 April 2024 £	% increase
Stephen Hughes	800,000	700,000	14.3%
Lee Raybould	575,000	475,000	21.1%

The base salaries for 2026 will be reviewed with effect from 1 April 2026 in a manner consistent with the approach for all colleagues.

#### Benefits and pension 2025

Executive directors received benefits including a fully expensed car or a cash alternative, personal membership of a private medical insurance scheme, permanent health insurance and life assurance.

Executive directors were eligible to participate in the Group's defined contribution pension scheme, which is offered to all colleagues.

The Chief Executive and Chief Financial Officer received cash alternatives in lieu of pension contributions equivalent to 10% of base salary which is in line with the approach for all employees who are eligible to join the Group's defined contribution pension scheme, receiving contributions of up to 10%.

#### Variable pay 2025

Variable pay for executive directors in 2025 consisted of an Annual Incentive Plan (AIP), a Long-Term Incentive Plan (LTIP) and a one-off Integration and Retention award.

#### Annual Incentive Plan for 2025

The maximum award for the executive directors is 100% of base salary. The Group measures annual performance against a number of stretching financial and non-financial targets detailed in the balanced scorecard, aligned to its strategic priorities.

Awards to executive directors are made in cash (as opposed to shares). The plan is reviewed each year to ensure continued alignment to strategic priorities and changes in regulation.

If the Group performs in line with its plans, the AIP provides for an award of up to 50% of salary for executive directors. The maximum award is up to 100% of base salary and can only be achieved by exceeding stretching upper targets for all measures.

# Directors' Remuneration Report continued

## Annual Remuneration Report continued

### Variable pay 2025 continued

#### Annual Incentive Plan for 2025 continued

The balanced scorecard comprises the measures used by the executive team and the Board to assess the Group's performance. This ensures alignment of remuneration with the Group's strategic objectives. The same balanced scorecard is used to determine annual variable pay for all colleagues. All measures are equally weighted. Further information on the Group's performance in 2025 can be found in the Strategic Report. Performance against the balanced scorecard measures is summarised in the table below.

Despite the competitive market conditions in 2025, the Group delivered a robust performance. The Group exceeded four of the nine performance targets which

determine variable pay and met the other five measures. It did not fall short of any measures.

A scoring matrix provides guidance to the Committee as to the potential monetary outturn based on actual performance against the balanced scorecard measures. The number of measures above, on or below target guides the range of awards considered.

70% of the executive directors' potential award is determined by the balanced scorecard, with the remaining 30% determined by individual performance against up to three strategic individual goals. These individual goals ensure personal accountability for the delivery of key strategic objectives and are agreed with the Committee. Performance against these goals, together with conduct and behaviours are considered by the Committee when assessing individual performance.

Balanced Scorecard - 2025 Plan	Performance target range	Performance result	Performance relative to target range
<b>People and societal impact</b>			
Employee Engagement <sup>1</sup>	67% - 73% Trust (Recognised)	76%	Exceed Target
Environmental, Social and Governance measures	Qualitative and quantitative assessment <sup>2</sup>		Assessment against these outcome measures rated overall as Achieved Target
<b>Best at mortgages and savings</b>			
Mortgage balance growth <sup>3</sup>	-1% - +1%	1.0%	Achieved Target
Net Promoter Score <sup>4</sup>	+71 - +77	+75	Achieved Target
Savings Rate Premium	0.70% - 0.80%	0.86%	Exceeded Target
<b>Key transformation and capability</b>			
Key capability delivery including: digitisation, mortgages and integration <sup>5</sup>	Qualitative and quantitative assessment		Assessment against these outcome measures rated overall as Exceeded Target
<b>Financial plan delivery</b>			
Group cost/ investment budget	£800m - £840m	£814m	Achieved Target
Group underlying profit before tax <sup>6</sup>	£248m - £304m	£374m	Exceeded Target
Group UK leverage ratio within appetite	4.25% - 4.75%	4.6%	Achieved Target
<b>Individual objectives:</b>			
3 main individual objectives	Chair of Board/Chief Executive assessment		

1. The 2025 engagement survey was provided by Great Place to Work (GPTW) and measures the Trust index. The GPTW employee engagement score reflects the assessment as a super large organisation.

2. More detail can be found in the sustainability section within the Strategic Report.

3. For the Society.

4. The Society Net Promoter Score (NPS) is a measure of customer advocacy that ranges between -100 and +100, which represents how likely a customer is to recommend our products and services.

5. Key transformation and key capability delivery are assessed against delivery and financial measures monitored by the Board Change Committee.

6. Group underlying profit excludes items that are one off in nature relating to the purchase and integration of The Co-operative Bank.

### Stephen Hughes individual goals

Delivery of year one integration and detailed planning of future transition states.	All 2025 key integration milestones delivered. Integration costs for 2025 below budget and synergies exceeded targets. Strong colleague engagement sustained.	Exceeded target performance
Development of Group strategy including long-term ambitions and performance measures for short-, mid- and long-term time horizons.	Group strategy developed and approved by Board. Plan signed off, setting out capability road map over three time horizons: 2026-7 perform, 2028-30 transform and 2030+ scale. Purpose, customer missions and values launched to all colleagues.	
Development of approach to customer ecosystem replacement.	Path in place to deliver requirements definition, architecture review, capability assessment, vendor selection and infrastructure.	

# Directors' Remuneration Report continued

## Annual Remuneration Report continued

### Variable pay 2025 continued

#### Lee Raybould individual goals

Lead development of the Group financial strategy. Deliver the 2025 financial plan, including capital build.	Financial strategy shaped to support Group strategy. Strong financial plan delivery in 2025, exceeding plan profit, controlling costs and delivering capital plan. Significant contribution to strategy development.	Exceeded target performance
Integrate the Finance functions safely, embedding best practice, delivering efficiency and enhancing diversity.	Teams brought together, processes working effectively and policies harmonised. Strong colleague engagement and diversity is building.	
Sponsor the delivery of technology integration to time, scope and cost including regulatory reporting and Group general ledger alignment.	Five projects incepted, all running in line with approved value cases.	

Given the scorecard and individual performance outlined above, the Committee determined an AIP award to executive directors of 74% of base salary from a potential maximum of 100%.

#### Long-term incentive plan (LTIP) granted in 2025

The 2025 LTIP awards were made based on a pre-grant assessment of performance delivered in 2024. Taking into account individual conduct and performance and Group performance, awards of 100% of salary were made to the executive directors.

The LTIP is subject to a three-year forward-looking performance period that commenced on 1 January 2025. The chosen performance measures are aligned to the Group's longer-term priorities and provide a clear link to member and customer interests and the achievement of our financial and strategic aims. At the end of the performance period, the Committee will assess whether there has been any significant risk, conduct, reputational or operational reasons why awards should not be released, taking into account input from the Board Risk Committee and Board Audit Committee.

Performance condition	Weighting
Franchise build based on the growth in active account volumes.	30%
Integration and transformation measured through delivery of financial and non-financial milestones.	40%
Financial plan delivery measured through our leverage ratio and our cost/income ratio.	30%

The specific targets are deemed to be commercially sensitive and will be disclosed, along with the actual performance achieved, in the 2027 Directors' Remuneration Report.

#### Long-term incentive plan (LTIP) to be granted in 2026

Taking into account individual conduct and performance and the Group's performance in 2025, awards of 100% of salary will be granted under the LTIP for 2026 to the executive directors. These awards will be made in April 2026 and will be subject to a three year performance period commencing on 1 January 2026.

Performance will be assessed against a number of financial and non-financial measures aligned to the Group's long-term priorities.

Subject to the satisfaction of the performance conditions, vesting of LTIP awards will start following the end of the three year performance period. To comply with the UK Corporate Governance Code, LTIP awards will normally be released no earlier than five years from the date of grant.

#### Integration and Retention Award (I&R)

As disclosed in last year's report, recognising the importance of a stable leadership and strong delivery of the integration of The Co-operative Bank into the Group, the Committee made a one-off Integration and Retention Award to retain and reward certain critical roles during this period of substantial change. For the executive directors, the awards were 100% of base salary.

One third of the Integration and Retention Award will be paid upfront to executive directors following the end of the performance year and two thirds will be deferred and paid in equal instalments over the following two years in share equivalent instruments (SEI). This goes beyond the minimum level of deferral required under the Remuneration Code.

# Directors' Remuneration Report continued

## Annual Remuneration Report continued

### Variable pay 2025 continued

#### How variable pay in respect of 2025 will be released to executive directors

The illustration below shows how the variable pay in respect of 2025 will be released to executive directors.

		2025	2026	2027	2028	2029	2030	2031
Annual Incentive Plan	100% cash	Performance period	100% cash					
Integration and Retention Award	33.3% cash	Performance period	33.3% cash					
	33.3% deferred for one year			33.3% SEI				
	33.3% deferred for two years					33.3% SEI		
Long-term Incentive Plan	100% Share equivalent instruments	Pre-grant performance period	Performance period			50% SEI	50% released	50% released
							50% SEI	50% released

All payments are subject to malus and clawback provisions as detailed on page 114.

### Payments to former Directors

The Committee may determine that retirees or redundancies should be treated as good leavers and any in-flight deferred variable pay will be released at the normal time in line with the Remuneration Policy. The following payments relating to deferred variable pay were made to former directors in 2025: £74,000 to M Parsons, former Chief Executive, £59,000 to M Faulk, former Chief Financial Officer, and £43,000 to P Frost, former Chief Customer Officer. All these payments were subject to performance and risk review by the Committee in line with the Remuneration Policy.

### Remuneration Policy implementation in 2025

#### Base salary 2026

Base salaries for executive directors will be reviewed in April 2026, in line with the approach outlined in the Remuneration Policy.

#### Benefits including pension 2026

There will be minor changes to benefits as a result of the harmonisation of employment terms and conditions, in line with the approach for all colleagues.

#### Variable pay 2026

Executive directors will participate in the following variable pay plans for 2026:

- Annual Incentive Plan (AIP) - up to 100% of salary
- Long-Term Incentive Plan (LTIP) - up to 100% of salary

Details of the performance metrics will be provided in the 2026 Directors' Remuneration Report.

### Relative importance of spend on pay

The following table sets out the % changes in profit after tax in 2025 compared to 2024, and the % change in total spend on remuneration. As a mutual, the Group only seeks to retain sufficient profit to maintain its capital ratios and allow for investment in the business, using any surplus to deliver competitive value and outstanding service to its members and customers. Another measure of the Group's performance is the level of growth in its lending assets and retail deposits so the percentage change in total assets has also been included in the table.

	2025 £m	2024 £m	Change %
Total assets	88,239	64,031	37.8
Total employee remuneration	344	169	103.6
Profit after tax	812	247	228.7

The higher employee remuneration costs primarily reflect the increase in headcount following the acquisition of The Co-operative Bank. In addition, severance costs arising from integration activities and any increase in salaries following annual reviews have contributed to the higher overall costs.

The Chief Financial Officer's review on page 26 provides a financial review of the year

# Directors' Remuneration Report continued

## Annual Remuneration Report continued

### Change in remuneration of Chief Executive

The historical levels of the Chief Executive's variable pay awards as a percentage of the potential maximum payable are shown below:

	2025 <sup>1</sup> %	2024 %	2023 %	2022 %	2021 %	2020 %	2019 %	2018 %	2017 %	2016 %
Annual Incentive Plan bonus as a percentage of maximum	74	n/a								
LTIP as a percentage of maximum	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	63	63
Annual Success Share as a percentage of maximum	n/a	80	95	90	75	40	50	55	60	70
ExVPP as a percentage of maximum	n/a	96.5	96.5	85.5	75	40	45	50	60	65

1. In 2025, the one-off Integration and Retention Award also vested at 100% of potential maximum.

### CEO pay ratio

The Companies (Miscellaneous Reporting) Regulations 2018 require UK quoted companies with more than 250 UK colleagues to publish their CEO pay ratio figures and supporting information in their annual reports. The regulations require that the pay ratio figures are calculated using the total remuneration, which includes total salary, variable pay, pension benefits and taxable benefits.

The Group has elected to publish its CEO pay ratios using the Government's preferred methodology (Option A) which is based on actual full time equivalent pay and benefit values for all colleagues for the financial year. It is calculated by identifying the median total remuneration as well as the total remuneration at the 25th percentile and 75th percentile points. For 31 December 2025, these were as set out in the table below. In calculating these figures, leavers were excluded but all other colleagues who started partway through the year or who were on extended leave for some or all of the year have been included on the basis of a full year's salary.

#### Remuneration element

	25th percentile £	Median £	75th percentile £
Total pay and benefits	33,179	45,072	66,089
Salary	28,249	37,088	50,938

On the basis of these numbers the ratio of CEO pay to employee pay at the median and 25th and 75th percentiles is as follows:

Year	Method	25th percentile £	Median £	75th percentile £
2025	Option A	66:1	48:1	33:1
2024	Option A	38:1	28:1	19:1
2023	Option A	35:1	26:1	17:1
2022	Option A	32:1	25:1	16:1
2021	Option A	32:1	24:1	16:1

The median pay ratio increased over the last year due to the exceptional increase in the Chief Executive's fixed and variable pay in 2025 following the acquisition of The Co-operative Bank and the resulting increased size and scope of his role as detailed earlier in the report. This increase exceeded the year on year pay increases awarded to the broader workforce.

The pay ratio for 2025 is also impacted by the Integration and Retention Award which was granted to the Chief Executive for 2025 only.

This concludes the Committee's annual Remuneration Report, which members will be asked to approve through an advisory vote at the 2026 AGM.

# Directors' Remuneration Report continued

## Remuneration Policy for executive directors

This section of the report includes a summary of the main elements of the Remuneration Policy for executive directors who sit on the Group Board, approved by members at the 2025 Annual General Meeting with a vote in favour of 92.4%. In the introduction to the Remuneration Report, Caroline Marsh, as Chair of the Committee during 2025, indicated the Committee would implement some changes to the Remuneration Policy with effect from the 2025 performance year in response to the new Remuneration Code. These changes have been reflected in the summary tables below.

With effect from 2025, variable pay includes the Annual Incentive Plan and Long Term Incentive Plan. In addition, for 2025 only, an Integration & Retention Award was introduced to retain and reward critical roles during a period of substantial change following the acquisition of The Co-operative Bank.

Base salary	
<b>Purpose and link to strategy</b>	Salaries are set with reference to market rates of pay to enable the Group to recruit, retain and motivate high calibre leaders.
<b>Operation</b>	Executive director salaries are normally reviewed annually, with any increases usually taking effect from 1 April, taking into account a number of factors, including but not limited to: <ul style="list-style-type: none"> <li>• The scope and size of role.</li> <li>• The skills, experience and responsibility of the role holder.</li> <li>• The position of the role holder's salary against wider market rates of pay and their individual performance.</li> <li>• Equal pay principles, the Group's financial performance and the economic environment.</li> <li>• Increases awarded to the Group's colleagues.</li> </ul> Where an executive director is to be promoted or where their role is to be expanded, the Group will review the salary and decide whether an adjustment is appropriate.
<b>Maximum potential</b>	Any increases will generally be no higher than the average increases applied to the Group's colleagues (in percentage terms). Increases may be made either above or below that level in exceptional circumstances, taking into account the factors outlined above.
<b>Performance metrics</b>	Individual performance is considered when setting salaries.
<b>Consistency with other colleagues</b>	The Group uses the same approach when setting salaries for all its colleagues and executive directors.

Benefits (excluding pension)	
<b>Purpose and link to strategy</b>	The Group provides a competitive benefits package to all its colleagues to support their physical, mental and financial wellbeing.
<b>Operation</b>	Each executive director receives benefits that are in line with the external market. These may include a company car or cash alternative, private medical insurance, health screening, permanent health insurance and life insurance.
<b>Consistency with other colleagues</b>	All colleagues receive permanent health insurance and life insurance, and many also receive private medical insurance. Executive directors do not receive any benefits that are unavailable to other colleagues within the Group.

Pension	
<b>Purpose and link to strategy</b>	The Group provides post-retirement financial security for all its colleagues at a cost that is sustainable for the Group over the long term and in line with market practice.
<b>Operation</b>	Executive directors are eligible to participate in the defined contribution pension plan or they may be permitted to take a cash alternative in place of contributions.
<b>Maximum potential</b>	Executive directors receive a pension contribution or cash alternative. This is 10% of base salary in line with the maximum potential for all colleagues.
<b>Consistency with other colleagues</b>	All colleagues are eligible to join the Group's defined contribution pension schemes, receiving contributions of up to 10%.

# Directors' Remuneration Report continued

## Remuneration Policy for executive directors continued

Annual Incentive Plan (AIP)	
<b>Purpose and link to strategy</b>	The AIP is a discretionary variable pay scheme that enables executive directors to share in the Group's success in delivering against its strategy. It helps the Group to be competitive in attracting and retaining high calibre executives and ensures alignment with strategic priorities.
<b>Operation</b>	Awards are determined by the Committee following the end of a one year performance period. Awards to executive directors are made in cash (as opposed to shares) and are subject to deferral and retention in line with regulatory requirements. Alongside awards made under the LTIP (and for 2025 the Integration and Retention Award), the payment, deferral and retention of all variable pay awards are determined at the time of award in compliance with regulatory requirements. To the extent that the minimum level of deferral is not met via the LTIP award (or for 2025 the Integration and Retention Award), a proportion of the AIP may be deferred in line with regulatory requirements. Any non-deferred portion is normally paid upfront following the end of the performance year. Where deferral applies, awards may be made in the form of a share equivalent instrument where necessary to meet the requirements of the Remuneration Code. The Group's share equivalent instrument is currently based on leverage ratio and provides for both uplift and reduction of awards. In line with the new Remuneration Code, the Committee retains the discretion to pay interest on any deferred awards. The AIP is reviewed each year to ensure alignment to the strategic priorities and changes in regulation. In line with the new Remuneration Code, a 12 month retention period will no longer apply to deferred awards.
<b>Maximum potential</b>	If the Group performs in line with its plans, the AIP scheme provides for an award of up to 50% of salary for executive directors. The maximum award of up to 100% of base salary at the date of grant can only be achieved by exceeding stretching upper targets for all measures.
<b>Performance metrics</b>	The Group measures annual performance of the AIP against a mix of collective performance targets in the balanced scorecard that normally account for 70% of the total award, and up to three individual objectives that account for 30% of the total award. These goals are agreed with the Committee at the outset of the scheme year.
<b>Consistency with other colleagues</b>	The plan is only available to executive directors and executive managers. To ensure alignment across the Group, the balanced scorecard which determines the all-colleague Success Share bonus will continue to determine the outcome of the AIP.

# Directors' Remuneration Report continued

## Remuneration Policy for executive directors continued

Long Term Incentive Plan (LTIP)	
<b>Purpose and link to strategy</b>	The LTIP helps to recruit and retain high calibre executives. Its design brings a long-term focus to reward sustained performance in delivering the Group's strategy. Awards are made annually and only pay-out where appropriately stretching performance measures are met, normally measured over a three year period.
<b>Operation</b>	LTIP awards are normally granted subject to the achievement of satisfactory performance over the year prior to grant and are then normally subject to a forward-looking three year performance period from the start of the financial year in which the grant is made. For each forward-looking performance measure, the Committee determines targets by reference to the Group's long-term goals and sets a 'threshold', 'target' and 'maximum' level of award. Subject to the satisfaction of the performance conditions, vesting of LTIP awards will start following the end of the three year performance period. LTIP awards are made in cash (as opposed to shares) and are subject to deferral and retention in line with regulatory requirements. To comply with the UK Corporate Governance Code, LTIP awards made to executive directors will normally be released no earlier than five years from the date of grant. The Remuneration Code requires that 50% of variable pay is made in shares or, in the case of a non-listed business like the Group, a share equivalent instrument. The Group's share equivalent instrument is currently based on leverage ratio and provides for both uplift and reduction of awards. The plan is reviewed each year to ensure alignment to the strategic priorities and changes in regulation.
<b>Maximum potential</b>	The LTIP scheme provides for an award of up to 50% of salary for executive directors for on target performance and 25% at the threshold level of performance. The maximum award (up to 100% of base salary at the date of grant for executive directors) can only be achieved by exceeding stretching upper targets for all measures.
<b>Performance metrics</b>	The LTIP incentivises sustainable long-term performance and alignment with member interests. The Committee will usually consider both Group and individual performance over the pre-grant performance period when determining the level of LTIP awards that may be granted. This ensures that the granting of awards is sustainable based on the Group's performance and justified on the basis of individual performance, conduct and behaviours. Forward-looking performance will be measured normally over a three year period against a long-term scorecard set to align with the long-term objectives of the Group. The performance metrics will normally reflect a balance of financial and non-financial measures linked to the Group's long-term goals and be subject to the satisfaction of risk and individual performance and regulatory obligations. The measures are agreed with the Committee at the outset of the scheme year and will be disclosed in the Remuneration Report for the relevant year.
<b>Consistency with other colleagues</b>	The LTIP is only available to executive directors and executive managers.

# Directors' Remuneration Report continued

## Remuneration Policy for executive directors continued

Integration and Retention Award - 2025 only	
<b>Purpose and link to strategy</b>	The Integration and Retention Award helps to retain high calibre executives during a period of substantial change following the acquisition of The Co-operative Bank and in delivering the Group's strategy.
<b>Operation</b>	Awards are determined by the Committee based on performance to 31 December 2025. Awards are made in cash (as opposed to shares) and are subject to deferral to satisfy regulatory requirements. One third of the Integration and Retention Award will be paid upfront following the end of the performance year and two thirds will be deferred and paid in equal instalments over the following two years. This exceeds the minimum level of deferral required under the Remuneration Code. The Remuneration Code requires that 50% of variable pay is made in shares or, in the case of a non-listed business like the Group, a share equivalent instrument. In line with the new Remuneration Code, we will primarily use the LTIP and deferred pay to meet this instrument's requirement. The 12 month retention period will no longer apply to deferred pay. The share equivalent instrument is currently based on leverage ratio and provides for both uplift and reduction of awards. In line with the new Remuneration Code, the Committee may decide to pay interest on deferred pay.
<b>Maximum potential</b>	If the Group performs in line with its integration plans, the Integration and Retention Award provides for an award of up to 100% of salary for participants.
<b>Performance metrics</b>	The Group will measure the performance of the Integration and Retention Award against the delivery of financial and non-financial integration targets for each participant during 2025. No further grants of this award will be made.
<b>Consistency with other colleagues</b>	The plan is only available to executives.

### Risk mitigation

Executive director salaries are benchmarked against comparable financial services organisations to ensure they are not excessive. No executive director is involved in setting their own remuneration or exercising discretion over judgements that could influence their own remuneration.

The Committee has absolute discretion to reduce any variable pay award if it decides that acceptable standards or performance levels have not been met. The Committee can also adjust, withhold or recover any vested awards using 'malus' and 'clawback' arrangements for executive directors. The variable pay plans ensure that executive director remuneration packages are strongly linked to the delivery of the Group's strategy and members' interests.

### Malus and clawback

Malus, clawback, deferral and retention arrangements are in place. The Committee ensures that an objective assessment of business risk, long-term sustainability and individual performance, conduct and behaviours is included with any assessment of variable pay awards and it may decide to exercise its discretion and adjust payments made under any of the variable pay plans. Further details about malus and clawback arrangements are set out as follows:

	Malus	Clawback
<b>What is it?</b>	The Committee can decide to reduce or cancel any variable pay award before the payment has been made.	The Committee may decide that an individual must repay part or all of a variable pay award after the payment has been made.
<b>Which awards does it apply to?</b>	Malus applies to any payments under all our variable pay plans.	Clawback applies to payments under all our variable pay plans, for up to seven years even if an individual leaves the Group's employment.
<b>When would this be used?</b>	Can be applied in circumstances including, but not limited to: <ul style="list-style-type: none"> <li>Reasonable evidence of misbehaviour or material error.</li> <li>The Group suffering a material downturn in its financial performance.</li> <li>The Group suffering a material failure of risk management.</li> </ul>	Can be applied in circumstances including, but not limited to: <ul style="list-style-type: none"> <li>Reasonable evidence of misbehaviour or material error.</li> <li>The Group or function suffering a material failure of risk management.</li> <li>A material misstatement of the Group's financial results, such that the payment made under the variable pay arrangement was greater than it would have been.</li> </ul>

# Directors' Remuneration Report continued

## Non-executive directors

This section of the report provides more detail about the Non-Executive Directors' Remuneration Committee membership and governance alongside details of the non-executive directors' fees.

### Details of the Non-Executive Directors' Remuneration (NEDR) Committee

The members of the NEDR Committee are:

Current membership	Member since
Stephen Hughes <sup>1</sup>	2020
Lucy Becque <sup>2</sup>	2025
Lee Raybould	2021
David Thorburn	2022

1. Chair of the Committee.
2. Chief People Officer and member of the Committee from January 2025.

The NEDR Committee is responsible for reviewing and recommending the remuneration of the non-executive directors, other than for the Chair of the Board, for the Board's approval. It met once during the year.

### Non-executive directors' letters of appointment

Non-executive directors are appointed for an initial term of three years, which can be terminated by the director, or at the discretion of the Board with a notice period of three months. Non-executive directors must voluntarily stand for re-election each year.

### Approach for non-executive directors' fees

The approach for non-executive directors is in line with the objectives of the Remuneration Policy for the whole Group, which is to offer fees that are competitive when compared with financial services firms of a similar size and complexity. The time commitment for the role is also taken into account.

The NEDR Committee recommends the remuneration of the non-executive directors, other than the Chair of the Board, to the Board for approval. Recommendations for the remuneration of the Chair of the Board are made by the Remuneration Committee and approved by the full Board without the participation of the Chair. No director takes part in the discussion of their own remuneration. Non-executive directors matters are dealt with separately from the wider employee base and further details are shown in the table below.

Non-executive director fees are made up of a base fee, plus fees for additional roles or responsibilities or time commitments including chairing a Committee, Senior Independent Director, and Deputy Chair. The Chair of the Board does not receive additional fees for roles carried out other than that of Chair.

Work was completed during 2024 to define the Board governance structures which would come into effect for the Group in 2025. These structures reflect the requirement for there to be separate Group and Bank Boards. The NEDR Committee mirrored the new governance structures when designing NED fee arrangements. The Committee's decision making was informed by extensive benchmarking with other organisations in financial services. The Committee also considered carefully the time requirements needed in order for non-executive directors to provide effective oversight of a larger, more complex Group as well as the time requirement for individuals fulfilling roles on both Group and Bank Boards.

Whilst maintaining strong oversight and governance of two highly regulated legal entities, the combined cost of governing both Boards has reduced significantly and there is an ongoing focus on simplification.

Non-executive directors fees	
<b>Purpose and link to strategy</b>	Non-executive director fees are set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience.
<b>Operation</b>	Fees are usually reviewed annually and amended to reflect market positioning and any change in responsibilities, with any increases usually taking effect from 1 April. Non-executive director fees are made up of a base fee, plus an additional supplement paid for additional roles or responsibilities or time commitments including chairing a Committee, Senior Independent Director and Deputy Chair. The Chair of the Board does not receive additional fees for roles carried out other than that of Chair. Non-executive directors may be eligible to receive reimbursement of expenses for travel and accommodation costs and tax thereof.
<b>Risk mitigation</b>	Benchmarking non-executive director salaries against comparable financial services organisations ensures they are not excessive. Fees paid to non-executive directors are recommended by the NEDR Committee and approved by the Board as a whole. Non-executive directors do not participate in any variable pay plans.
<b>Maximum potential</b>	Fees are based on the level of fees paid to non-executive directors serving on boards of similar-sized UK companies and the time commitment and contribution expected for the role. 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).
<b>Performance metrics</b>	Not applicable.

# Directors' Remuneration Report continued

## Non-executive directors continued

The non-executive directors remuneration is detailed below.

	Group & Society fees	Bank fees	Expense payments	Total fees and expense payments	Group & Society fees	Bank fees	Expense payments	Total fees and expense payments
	2025 £000	2025 £000	2025 £000	2025 £000	2024 £000	2024 £000	2024 £000	2024 £000
Audited information								
<b>Non-executive directors:</b>								
David Thorburn <sup>1</sup>	420	—	8	428	242	—	16	258
Iraj Amiri <sup>2</sup>	111	72	3	186	85	—	5	90
Jo Kenrick <sup>3</sup>	111	180	3	294	104	—	2	106
Ewa Kerin <sup>4</sup>	—	—	—	—	25	—	1	26
Jane Leach <sup>5</sup>	25	—	—	25	—	—	—	—
Caroline Marsh <sup>6</sup>	115	69	3	187	—	—	—	—
Shamira Mohammed <sup>7</sup>	90	—	1	91	66	—	1	67
Vanessa Murden <sup>8</sup>	—	—	—	—	11	—	—	11
Brendan O'Connor <sup>9</sup>	90	72	3	165	74	—	5	79
Mark Parker <sup>10</sup>	90	56	7	153	—	—	—	—
Iain Plunkett <sup>11</sup>	115	—	7	122	45	—	1	46
Martin Stewart <sup>12</sup>	115	66	6	187	85	—	6	91
<b>Total</b>	<b>1,282</b>	<b>515</b>	<b>41</b>	<b>1,838</b>	<b>737</b>	<b>—</b>	<b>37</b>	<b>774</b>

1. Chair of the Board from 28.04.22.

2. Non-executive director from 28.06.18 and Chair of the Board Audit Committee until 17.11.25. Member of Bank Board and Chair of Bank Board Audit Committee from 01.01.25.

3. Deputy Chair of the Board from 22.04.21, Senior Independent Director from 24.04.19 and Chair of the Board Remuneration Committee from 26.04.18 to 31.12.24. Chair of Bank Board from 01.01.25.

4. Non-executive director from 01.07.24 to 14.11.24.

5. Non-executive director from 03.10.25 and Chair of the Board Audit Committee from 17.11.25.

6. Non-executive director and Chair of the Board Remuneration Committee from 03.01.25. Member of Bank Board from 01.01.25 and Chair of Bank Board Remuneration Committee from 07.03.25.

7. Non-executive director from 01.05.19.

8. Non-executive director from 30.01.23 to 23.02.24. Chair of the Board Change Committee from 30.01.23 to 23.02.24.

9. Non-executive director from 18.01.21. Chair of the Board Change Committee from 24.02.24 to 30.06.24. Member of Bank Board from 01.01.25 and Chair of Bank Board Risk Committee from 01.01.25.

10. Non-executive director from 01.01.25. Continuing member of Bank Board post acquisition from 01.01.25.

11. Non-executive director from 01.07.24. Chair of the Board Change Committee from 01.07.24.

12. Non-executive director from 01.09.18 and Chair of the Board Risk Committee from 25.09.18. Deputy Chair of the Bank Board from 01.01.25.

As discussed in the Remuneration Report last year, fee levels were reviewed for 2025 in anticipation of the acquisition of The Co-operative Bank and the increased size, scope and time requirements of non-executive roles. As a result, fees were increased with effect from 1 January 2025 to maintain the strength of the Board and to ensure fees were appropriately positioned to reflect the enlarged and more complex Group. For 2026, fees will be reviewed in line with the wider workforce with effect from 1 April.

Non-executive directors are reimbursed reasonable travel and accommodation expenses in relation to attending meetings but do not participate in any pension, benefits or bonus arrangements.

### Non-executive director fees

	Group & Society fees 2025 £000	Bank fees 2025 £000
Chair of the Board	420	180
Base fee	90	56
Deputy Chair of the Board <sup>1</sup>	21	10
Senior Independent Director <sup>1</sup>	21	10
Chair of Remuneration Committee	25	16
Chair of Board Audit Committee	25	16
Chair of Board Risk Committee	25	16
Chair of Board Change Committee	25	0

1. If both the Deputy Chair and Senior Independent Director roles are held by the same person, the fees are combined.

# Directors' Remuneration Report continued

## Other matters

### Remuneration committee advisor

The Committee agreed to retain Deloitte LLP (Deloitte) to provide independent advice to the Committee as required during 2025, after an annual review of its fees and services. Deloitte voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice received is objective and independent. The Group also engages Deloitte to provide other assurance services, consultancy and specialist advice to other departments.

### Consideration of members' views

The Group welcomes feedback on executive and non-executive directors' remuneration. Member approval of the Directors' Remuneration Report is voted on at each Annual General Meeting and, every three years, the Committee asks members for a non-binding vote on the Remuneration Policy.

### Statement of member vote at Annual General Meeting

At the 2025 Annual General Meeting, an ordinary resolution (advisory vote) was proposed to members to approve the Annual Remuneration Report for the year ended 31 December 2024 for which the following votes were received:

	Number of votes	% votes cast
Annual Remuneration Report		
Votes cast for	64,369	92.4
Votes cast against	5,059	7.6

At the 2025 AGM, an ordinary resolution (advisory vote) was proposed to members to approve the current Remuneration Policy for which the following votes were received:

	Number of votes	% votes cast
Remuneration Policy		
Votes cast for	64,100	92.7
Votes cast against	5,306	7.3

# Directors' Report

The directors have pleasure in presenting their Annual Report & Accounts for 2025.

## Business objectives, future developments and key performance indicators

The Group's objectives and future plans are set out in the Strategic Report, together with the Group's key performance indicators. The Strategic Report is incorporated by reference within this Directors' Report.

## Profit and capital

Profit before tax for the year ended 31 December 2025 was £801 million (2024: £323 million). The profit after tax transferred to the general reserve was £812 million (2024: £247 million).

Total Group reserves and equity at 31 December 2025 were £4,289 million (2024: £3,628 million). Further details on the movements on reserves and equity are given in the Group Statement of Changes in Members' Interests and Equity.

Gross capital at 31 December 2025 was £4,579 million (2024: £3,685 million), including £248 million (2024: £15 million) of subordinated debt, £42 million (2024: £42 million) of subscribed capital and £665 million (2024: £665 million) of Perpetual Capital Securities.

The ratio of gross capital as a percentage of savings and borrowings at 31 December 2025 was 5.51% (2024: 6.16%) and the free capital ratio was 5.07% (2024: 5.99%).

The Annual Business Statement gives an explanation of these ratios.

## Mortgage arrears

At 31 December 2025, there were 431 mortgage accounts more than 12 months in arrears (including those in possession) (2024: 284). The balance on these accounts totalled £76 million (2024: £48 million) and the value of these arrears was £9 million (2024: £5 million) or 0.01% (2024: 0.01%) of total mortgage balances.

Mortgage arrears disclosures are based on the UK Finance definition, which calculates months in arrears by dividing the arrears balance outstanding by the latest contractual payment.

## Charitable and political donations

The Group made donations of £5 million (2024: £4 million) to charitable organisations during the year.

No contributions were made for political purposes. However, employees are permitted time off to carry out civic duties and political activity, which can amount to an effective political donation. The Group supports a small number of employees in this way.

Employees are also supported in volunteering and fundraising in the local community. More information in relation to this is included in the Strategic Report.

## Creditor payment policy

The Group's policy is to agree the terms of payment at the start of trading with suppliers and to pay in accordance with its contractual and other legal

obligations. The Group's creditor days were 14 days as at 31 December 2025 (2024: 17 days).

## Country-by-country reporting

The nature of the Group's activities is set out in the Strategic Report and for each of the Society's subsidiaries in note 18 to the accounts. All of the activities of the Society and its subsidiaries are conducted in the United Kingdom, and therefore 100% of the total income, profit before tax and tax shown in the Income Statement, as well as employee figures disclosed in note 11 to the accounts, are related to the United Kingdom. The Society and its subsidiaries have not received any public subsidies.

## Risk management

As a result of its normal business activities, the Group is exposed to a variety of risks, including credit, market, liquidity and funding, capital, conduct, operational, model and strategic risk. The Group seeks to manage all the risks that arise from its activities and has established a number of committees and policies to do so. Details of these are set out in the Strategic Report, Risk Management Report and the Directors' Report on Corporate Governance.

## Colleagues

Information on colleague engagement, development, equality, diversity and inclusion is included in the Strategic Report and is incorporated by reference into this Directors' Report.

The Group complies with the UK Equality Act 2010 and has processes in place to help train, develop and promote employees with disabilities. If someone has a disability, the Group makes appropriate adjustments during the recruitment process.

Similarly, if someone becomes disabled during their employment, the Group provides support relevant to individual's needs. This may include retraining and redeployment within the workforce. Partnerships are also in place with specialist organisations in order to make our workplace more accessible to people with a disability.

## Board of directors

The names of the directors of the Group who served during the year and up to the date of signing the financial statements, are set out on pages 75 to 78. No director has any beneficial interest in equity shares, or debentures of, any connected undertaking of the Group as at 31 December 2025.

The Board has agreed that in accordance with the UK Corporate Governance Code, all the directors will stand for election or re-election on an annual basis.

## New activities in 2025

On 1 January 2025, the Society acquired The Co-operative Bank Holdings p.l.c., which along with all of its subsidiaries became part of the Group from this date. This acquisition has broadened the products and services the Group is able to offer.

# Directors' Report continued

## Directors' responsibilities in respect of the preparation of the Annual Report & Accounts

The following statement, which should be read in conjunction with the Statement of the auditors' responsibilities on page 130, is made by the directors to explain their responsibilities in relation to the preparation of the Annual Accounts, the Directors' Remuneration Report, the Annual Business Statement and this Directors' Report.

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 Group Annual Accounts in accordance with UK adopted International Accounting Standards and applicable law, and have elected to prepare the Society Accounts on the same basis.

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 each of the Group and Society Annual Accounts, the directors are required to:

- Select suitable accounting policies and apply them consistently.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- State whether applicable accounting standards have been followed.
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and Society will continue in business.

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

## Directors' responsibilities in respect of 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.
- Establishes and maintains systems for control of its business, records, inspection and reports.

The directors have responsibility for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Directors' statement pursuant to the Disclosure and Transparency Rules

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the directors have included a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group. This information is contained principally in the Strategic Report and the Risk Management Report.

The directors confirm that to the best of each of their knowledge and belief:

- The financial statements, prepared in accordance with UK adopted International Accounting Standards, present fairly the assets, liabilities, financial position and profit of the Group and Society.
- The management report contained in the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Society, and the Risk Management Report includes a description of the principal risks and uncertainties that they face.

## Directors' statement of compliance with the UK Corporate Governance Code

As required by the UK Corporate Governance Code, the directors confirm their opinion that the 2025 Annual Report & Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for members to assess the performance, strategy and business model of the Society.

## Directors' responsibilities in respect of going concern and long-term viability

The UK Corporate Governance Code (the Code) requires that the directors state whether they consider it appropriate to adopt the going concern basis of accounting and identify any material uncertainties to the Group's ability to continue as a going concern for a period for at least 12 months from the date of approval of the Annual Report & Accounts.

In addition, the Code requires that the directors explain how the prospects of the Group have been assessed and whether there is a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the period of assessment. Details of this long-term viability assessment are set out below.

# Directors' Report continued

## Going concern

In preparing the financial statements, the directors are required to satisfy themselves that it is appropriate to adopt the going concern basis of accounting in accordance with guidance from the Financial Reporting Council and IAS 1 Presentation of Financial Statements.

The Group's business activities, together with the factors likely to affect its future development, performance, position, liquidity and capital structure, are set out in the Strategic Report. The Risk Management Report includes further information on the Group's objectives, policies and processes for managing its exposure to credit, market, liquidity and funding, conduct, operational, model and strategic risks, along with details of its financial instruments and hedging activities. In addition, top and emerging risks are disclosed in the Strategic Report.

The Group's forecasts and projections include the expected impact of these risks together with the enlarged group view following the acquisition of The Co-operative Bank on 1 January 2025. Together with stress testing and scenario analysis, this shows that the Group will be able to operate at adequate levels of both liquidity and capital for at least the next 12 months while meeting all relevant regulatory requirements.

After making enquiries, the directors are therefore satisfied that the Group has adequate resources to continue in business for the foreseeable future, determined as at least the next 12 months, with no material uncertainties and, therefore, it is appropriate to adopt the going concern basis of accounting in preparing these financial statements.

## Long-term viability

In accordance with the UK Corporate Governance Code, the directors are required to explain how, taking account of the Group's current position and principal risks, they have assessed the prospects of the Group and to confirm that they believe the Group will be able to continue in operation and meet its liabilities as they fall due over a specified period determined by the directors.

### Assessment of long-term viability

The directors have assessed the viability of the Group over the three year period to December 2028. The directors consider a three year period appropriate as it is within the period covered by the Strategic Plan and the stress testing activities undertaken by the Group. In addition, using a period of three years eliminates the inherent uncertainties in the assumptions underpinning the outer years of the Group's Strategic Plan.

The directors considered the Group's strategy and the key threats to its delivery. The directors also considered broader risks to the prospects of the Group including the adequacy of risk management arrangements, performance of the Group against the Board's risk appetite and the risk outlook for the Group.

In making the assessment, the directors considered the financial projections of the Group, including profitability, capital and funding positions, and the wide range of stress testing of those projections to ensure the viability of the

Group even in times of severe stress. The directors considered the impact of the macroeconomic environment, including the impact of inflationary pressures, the impact to the labour market, the credit environment, the interest rate outlook and the potential impact on wholesale funding markets.

The most significant stress scenario which was considered included an increase in unemployment to 8.5% during the first year of the stress and house price falls of 28%.

The review considered emerging regulation where there is sufficient clarity over future standards to inform the analysis. This review includes assessments of the Group's capital position and reflects current understanding of capital buffer and leverage requirements likely to be imposed on the Group. The review has also considered the longer-term impacts of climate change and new regulatory standards on climate risk, along with the proposed Group response to the climate risks identified on its loans and advances to customers and operations.

## Conclusion on viability

Based upon the assessment set out above, the directors have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the period to December 2028.

## Directors

The directors who served during the year are set out in the Directors' Report on Corporate Governance.

## The auditor

A resolution to reappoint PricewaterhouseCoopers LLP auditor of the Society will be proposed at the 2026 Annual General Meeting.

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

### David Thorburn

Chair of the Board  
26 February 2026

# Financial Statements

In this section, you will find our primary statements and related notes.

Independent Auditors' Report	<a href="#"><u>122</u></a>
Accounts	<a href="#"><u>131</u></a>
Notes to the accounts	<a href="#"><u>135</u></a>



# Independent auditors' report to the members of Coventry Building Society

## Report on the audit of the financial statements

### Opinion

In our opinion, Coventry Building Society's Group annual accounts and Society annual accounts (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 December 2025 and of the Group's and the Society's income and expenditure and the Group's and the Society's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Group and Society Balance Sheets as at 31 December 2025; the Group and Society Income Statements and Statements of Comprehensive Income, the Group and Society Statements of Cash Flows, and the Group and Society Statements of Changes in Members' Interest and Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Certain notes to the financial statements have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as '(Audited)'. The relevant disclosures are included in the Risk Management Report and Directors' remuneration report disclosures.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in note 10, we have provided no non-audit services to the Society or its controlled undertakings Group in the period under audit.

### Our audit approach

#### Overview

<b>Audit scope</b>	<ul style="list-style-type: none"> <li>• On 1 January 2025, the Society acquired The Co-operative Bank Holdings p.l.c. ("the Bank"). Therefore, this is the first year in which the results of The Co-operative Bank Holdings p.l.c. and its subsidiaries have been incorporated into the Group. We performed audit procedures over all material account balances and financial information of the Coventry Building Society, The Co-operative Bank Holdings p.l.c., The Co-operative Bank p.l.c. ("The Co-operative Bank") and Godiva Mortgages Limited due to their size and significance to the Group; and</li> <li>• For four further reporting entities, namely ITL Mortgages Limited, Coventry Building Society Covered Bonds LLP, Coventry Godiva Covered Bonds LLP and Economic Master Issuer plc we performed audit procedures over one or more financial statement line items.</li> </ul>
<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>• The application of key judgements and assumptions in relation to applying expected credit loss provisioning on loans and advances to customers (Group and Society);</li> <li>• Completeness and accuracy of hedge accounting consolidation adjustments (Group);</li> <li>• Recognition and measurement of the deferred tax asset relating to the Bank's brought forward trading losses (Group); and</li> <li>• Measurement of the gain on acquisition of The Co-operative Bank Holdings p.l.c. (Group).</li> </ul>
<b>Materiality</b>	<ul style="list-style-type: none"> <li>• Overall Group materiality: £18.0 million (2024: £16.2 million), based on 5% of underlying profit before tax (2024: 5% of profit before tax).</li> <li>• Overall Society materiality: £13.0 million (2024: £9.3 million), based on 0.5% of total equity (2024: 5% of profit before tax).</li> <li>• Group performance materiality: £13.5 million (2024: £12.1 million).</li> <li>• Society performance materiality: £9.75 million (2024: £7.0 million).</li> </ul>

# Independent auditors' report to the members of Coventry Building Society continued

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Recognition and measurement of the deferred tax asset relating to the Bank's brought forward trading losses is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><b>The application of key judgements and assumptions in relation to applying expected credit loss provisioning on loans and advances to customers (Group and Society)</b></p> <p>The Group holds £44 million (2024: £24 million) of expected credit loss ('ECL') provisions against loans and advances to customers in accordance with IFRS 9 against total outstanding balances of £72,928 million (2024: £51,825 million). Of this balance, the Group holds £7 million of ECL provisions for its commercial lending portfolio, with £5 million of this in relation to its individually assessed provisions.</p> <p>The Society holds £13 million (2024: £11 million) of ECL provisions against loans and advances to customers with total outstanding balances of £33,921 million (2024: £33,433 million).</p> <p>The determination of ECL provisions is inherently judgemental and involves setting assumptions using forward looking information reflecting wider macro-economic trends, individual customer behaviours as well as individual recovery strategies for commercial loans, which can give rise to increased estimation uncertainty.</p> <p>For the audit of the Group, we focused our work on the areas of the methodology that we identified as most judgemental and where the risk to the financial statements is greatest, which is the valuation of collateral for stage 2 and stage 3 commercial customers within the Group.</p> <p>For the audit of the Group and the Society, we focused our work on the appropriateness of provision models and their ability to capture risk in the loan portfolio, due to the low level of provision coverage recorded.</p> <p>Detailed disclosures can be found in note 16. Associated accounting policies are detailed in note 1 and significant accounting judgements and estimates in note 2. The Audit Committee's consideration of the matter is set out in the Board Audit Committee Report.</p>	<p>We have assessed the design and implementation of controls over the estimation of ECL.</p> <p>With the assistance of our credit risk modelling specialists, we understood and critically assessed the ECL methodology and assumptions applied by reference to the accounting standards and industry practice. We understood and assessed the methodology applied by management in calculating the valuation of collateral for its commercial customers.</p> <p>Our testing over the Group and Society's mortgage ECL included a combination of controls and substantive testing, including using our credit risk modelling specialists to perform the following:</p> <ul style="list-style-type: none"> <li>• Reviewed and challenged key model monitoring outputs and independently replicated the ECL model logic.</li> <li>• Assess the appropriateness of significant assumptions and methodologies used for ECL models, in particular, those underpinning probability of default and loss given default for the mortgage book.</li> </ul> <p>Our testing over the Group's commercial ECL included:</p> <ul style="list-style-type: none"> <li>• With the assistance of our real estate valuations experts, we tested a sample of higher risk customer collateral valuations to assess they are valued appropriately and reflect the current economic environment.</li> <li>• We have reviewed the work performed by management's experts and critically evaluated the assumptions they have applied.</li> <li>• We ran sensitivities on the commercial portfolio to systematic declines in collateral values by modelling wholesale valuation reductions across the book, to identify any risk that could result in the ECL recorded by the Group in the year to be materially misstated.</li> <li>• We performed a full replication of the commercial modelled ECL to confirm that it was mathematically accurate.</li> </ul> <p>We have reviewed the disclosures to ensure compliance with accounting standards and agreed the disclosures to supporting evidence.</p>

# Independent auditors' report to the members of Coventry Building Society continued

Key audit matter	How our audit addressed the key audit matter
<b>Completeness and accuracy of hedge accounting consolidation adjustments (Group)</b>	
<p>As part of the acquisition of The Co-operative Bank Holdings p.l.c., the Group acquired a portfolio of derivative assets and designated them in hedge accounting relationships to minimise accounting volatility. The acquisition value of these derivatives requires adjustments to be made to reflect hedge accounting principles under accounting standards.</p> <p>These adjustments are designed to ensure appropriate hedge accounting adjustments are recognised over time.</p> <p>We focused on this matter because of the judgement and complexity involved in the application of accounting standards and in determining the impact of hedge accounting on the income statement.</p> <p>Detailed disclosures can be found in notes 9 and 26. Associated accounting policies are detailed in note 1. The Audit Committee's consideration of the matter is set out in the Board Audit Committee Report.</p>	<p>We have assessed the design and implementation of controls over the hedge accounting adjustments in respect of The Co-operative Bank's acquired derivatives at Group level.</p> <p>We assessed the reasonableness of the designation of a hedge relationship under accounting standards at a Group level.</p> <p>We challenged management on the completeness and appropriateness of adjustments made to calculate the amounts recognised in the income statement.</p> <p>We evaluated the reasonableness of the run-off profile of the hedge by comparing it to the run-off profile of the underlying hedged item.</p> <p>We tested the accuracy of input data used to calculate the adjustments and recalculated the amounts recognised in the income statement.</p> <p>We reconciled management's calculation to the accounting books and records.</p> <p>We have reviewed the disclosures to ensure compliance with accounting standards and agreed the disclosures to supporting evidence.</p>
<b>Recognition and measurement of the deferred tax asset relating to the The Co-operative Bank's brought forward trading losses (Group)</b>	
<p>As at 31 December 2025, the Group has recorded £243 million of deferred tax assets relating to brought forward trading losses (2024: Nil).</p> <p>Deferred tax assets are recognised on the The Co-operative Bank's brought forward losses to the extent it is probable that there will be future taxable profits generated on the same trade which gave rise to the losses. Management are required to make an estimate of the amount and timing of future taxable profits, and judgements relating to the continuity of The Co-operative Bank's trade in light of the Group's future strategic plans. Since this is inherently uncertain we focused on this as a key audit matter. We focused on the reasonableness of forecast future taxable profits in the strategic plan, as well as the estimation of taxable profits beyond the strategic planning period.</p> <p>Detailed disclosures can be found in note 23. Associated accounting policies are detailed in note 1 and significant accounting judgements and estimates in note 2. The Audit Committee's consideration of the matter is set out in the Board Audit Committee Report.</p>	<p>With the help of tax specialists, we evaluated management's methodology for assessing the recognition of and recoverability of deferred tax assets, including the ability to offset certain deferred tax liabilities and deferred tax assets. Where deferred tax assets are recognised our evaluation of these future profits considered both the business model and the applicable UK tax legislation.</p> <p>We critically assessed the future profit forecasts within the board approved strategic plan for the Group, along with the supporting assumptions, testing that the assumptions were reasonable. We assessed the consistency of the forecasts used to justify the recognition of deferred tax assets to those used elsewhere in the business, including those used in the going concern assessment. In doing this, we verified that the forecasts did not include taxable profit growth that could not be demonstrated as probable, including critically evaluating risks and contrary evidence around the projected future profits. We also performed sensitivity analysis to understand whether reasonably possible changes to these assumptions could lead to a material change in the recognised asset.</p> <p>We considered the length of the forecasts that it would be appropriate to use in measuring the deferred tax asset, with reference to The Co-operative Bank's historic performance and levels of forecasting accuracy, as well as the haircuts applied to the outer years of the forecast.</p> <p>We tested the mathematical accuracy of the calculations used in determination of deferred tax assets.</p> <p>We have reviewed the disclosures to ensure compliance with accounting standards and agreed the disclosures to supporting evidence.</p>

# Independent auditors' report to the members of Coventry Building Society continued

Key audit matter	How our audit addressed the key audit matter
<b>Measurement of the gain on acquisition of The Co-operative Bank Holdings p.l.c. (Group)</b>	
<p>On 1 January 2025, the Group acquired the entire share capital of The Co-operative Bank Holdings p.l.c.. Consideration of £745 million was paid for the acquisition in exchange for net assets with a fair value of £1,329 million, resulting in a gain on bargain purchase of £584 million being recognised in the Group's income statement.</p> <p>The acquisition was accounted for as a business combination using the acquisition method in accordance with IFRS 3 'Business combinations'. The identifiable assets acquired, and liabilities assumed were recorded at their acquisition-date fair values. IFRS 3 also allows a period of not more than 12 months from the acquisition date in which an acquirer may adjust the provisional amounts recognised in a business combination.</p> <p>Purchase price allocation ('PPA') adjustments were recognised on a range of assets and liabilities including loans and advances to customers and the Bank's deposit book in the form of a core deposit intangible (the intangible benefit arising in respect of the Bank having a stable source of funding from depositors). Management engaged an external expert to determine the fair value of certain assets, including intangible assets and liabilities on the acquisition date balance sheet.</p> <p>Deriving the Group's fair value estimates involves significant judgement and there is a high degree of estimation uncertainty in the fair value adjustment of the acquired Loans and advances to customers and the valuation of the core deposit intangible. We focused on these as a Key Audit Matter.</p> <p>The transaction also gave rise to a gain on bargain purchase and, as such, we focused on the completeness of the purchase price allocation accounting based on the activities of the Bank.</p> <p>Detailed disclosures can be found in note 38. Associated accounting policies are detailed in note 1 and significant accounting judgements and estimates in note 2. The Audit Committee's consideration of the matter is set out in the Board Audit Committee Report.</p>	<p>We reviewed the Sale Purchase Agreement, regulatory approvals and related documentation to understand the structure and terms of the acquisition.</p> <p>We obtained an understanding of management's acquisition accounting process and assessed whether the accounting treatment associated with the assets and liabilities acquired was in accordance with IFRS 3 'Business Combinations'.</p> <p>We assessed the competence and objectivity of managements expert, and we engaged our own valuations expert to challenge management's assumptions.</p> <p>We challenged the completeness of management's identification of intangible assets by reviewing the Sale and Purchase Agreement and related documentation for indicators of separately identifiable intangibles. With the support of our valuation experts, we assessed the appropriateness of the valuation methodologies, the reasonableness of significant assumptions applied and re-performed the valuation of the core deposit intangible.</p> <p>Our procedures focused on the alternative cost of funds assumption and the internal consistency of assumptions applied between the valuation of loans and advances to customers and the core deposit intangible.</p> <p>We assessed the appropriateness of management's amortisation approach for the core deposit intangible by comparing the amortisation profile to the expected period of benefit of the acquired deposits.</p> <p>For loans and advances to customers, we focused on the assumptions with the most material impact on fair value, namely the cost of debt component of the discount rate and the assumed run-off of the acquired mortgage portfolio following the end of the fixed term. We assessed the reasonableness of these assumptions by corroborating recent retail and wholesale funding costs and benchmarking them against market rates and comparable institutions, and we re-performed fair value calculations for a sample of loans.</p> <p>We tested the completeness and accuracy of data used in the valuation models to underlying records.</p> <p>We challenged management on the overall recognition of a gain on bargain purchase by considering the commercial rationale for the transaction, market precedent for banks to trade below their book value, the specific factors that led to this transaction and evaluating the completeness of the identified acquisition accounting adjustments.</p> <p>We validated the consideration paid to bank statements and legal documents. We evaluated the fair value of purchase consideration at the acquisition date and considered subsequent evidence arising during 2025.</p> <p>We instructed the Bank component team to audit the acquisition date balance sheet. We inspected their working papers and summary conclusions reported to the Audit Committee of the Bank.</p> <p>We performed stand-back procedures during the measurement period to assess whether post-acquisition information indicated the provisional fair values required adjustment.</p> <p>We have reviewed the disclosures to ensure compliance with accounting standards and agreed the disclosures to supporting evidence.</p>

# Independent auditors' report to the members of Coventry Building Society continued

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Society, the accounting processes and controls, and the industry in which they operate.

All of the Group's activities are administered in the United Kingdom. The principal activity of the Group is the provision of savings products and mortgage finance to members and other customers. The Group's mortgage book is predominantly secured on UK residential owner-occupied and buy to let lending. On 1 January 2025, the Society acquired the entire share capital of The Co-operative Bank Holdings p.l.c., the ultimate parent of The Co-operative Bank. As a result, the financial statements consolidate the results and the financial position of The Co-operative Bank Holdings p.l.c. and its subsidiaries for the entire year. The Group also includes several structured entities which administer the Group's funding programmes by virtue of the Group's control over them. A component is each controlled subsidiary that is a separate legal entity within the Group.

Throughout our risk assessment, we tailored our determination as to which entities and balances we needed to perform testing over to support our Group and Society opinions, taking into account the new Group structure, accounting processes and controls.

The risk of material misstatement can be reduced to an acceptable level by testing the most financially significant entities within the Group and those that drive particular significant risks identified as part of our risk assessment, providing us with sufficient coverage for each financial statement line item ('FSLI'). Coventry Building Society, The Co-operative Bank Holdings p.l.c., The Co-operative Bank and Godiva Mortgages Limited were considered significant due to their size and risk in the context of Group's consolidated financial statements and hence were full scope audit components. ITL Mortgages Limited, Coventry Building Society Covered Bonds LLP, Coventry Godiva Covered Bonds LLP and Economic Master Issuer plc are identified as being individually financially significant in respect of only one or more account balances. We classified these as non-significant components and performed specific audit procedures over those account balances. All remaining components were identified as inconsequential and no further audit procedures were performed to support the Group audit opinion. We perform all of the work to support the Group and Society audit opinions.

## The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group's and Society's financial statements and support the disclosures made in relation to climate change in the Annual Report. In addition to enquiries with management, we also:

- Read the materials considered by the Group's Climate Risk Forum during the year to consider the impact on our audit risk assessment;
- Considered the exposure of the Group and Society's mortgage portfolio to physical and transition risks by examining the output of assessments performed by management during the year; and
- Considered the consistency of the disclosures in relation to climate change within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2025.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the annual accounts as a whole as follows:

	Group financial statements	Society financial statements
<b>Overall materiality</b>	£18.0 million (2024: £16.2 million).	£13.0 million (2024: £9.3 million).
<b>How we determined it</b>	5% of underlying profit before tax.	0.5% of total equity.
<b>Rationale for benchmark applied</b>	We determined that underlying profit before tax, excluding accounting impacts of the Bank acquisition, is the appropriate benchmark. This focuses on recurring earnings and removes accounting balances arising as part of the acquisition, including the gain on a bargain purchase recognised, and deal and integration costs. Management monitors the business on underlying profit before tax. In 2024 we adopted a materiality based on statutory profit before tax.	We determined that total equity is the appropriate benchmark for the Society in 2025. This reflects that the users' focus is on capital strength and balance sheet resilience rather than Society standalone profitability, particularly given the Society holds the majority of the capital in the Group and capital adequacy remains a key consideration post-acquisition of the Bank. In 2024 we adopted a materiality based on statutory profit before tax.

# Independent auditors' report to the members of Coventry Building Society continued

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £8.4 million to £16.4 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £13.5 million (2024: £12.1 million) for the Group financial statements and £9.75 million (2024: £7.0 million) for the Society financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.8 million (Group audit) (2024: £0.8 million) and £1.3 million (Society audit) (2024: £0.4 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

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:

- A risk assessment to identify critical factors that could impact the going concern basis of preparation, including the current and forecast financial performance, regulatory metrics and the sector in which the Group operates. As part of our risk assessment, we reviewed and considered the Group's strategic plan, regulatory correspondence and management reports provided to key governance forums;
- Evaluation of the reasonableness of the strategic and capital plan of the Group and Society, including testing key assumptions and performance of sensitivity analysis using our understanding of the Group and its financial and operating performance obtained during the course of our audit under stress scenarios. We also considered management's ability to accurately forecast financial performance by comparing past business plans to actual results; and
- Testing the appropriateness of the disclosures made in the Annual Report.

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 for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and Society's ability to continue as a going concern.

In relation to the directors' 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.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

# Independent auditors' report to the members of Coventry Building Society continued

With respect to the Annual Business Statement and Directors' Report we also considered whether the disclosures required by the Building Societies Act 1986 have been included.

Based on our work undertaken in the course of the audit, the Building Societies Act 1986 requires us also to report certain opinions and matters as described below.

## Annual Business Statement and Directors' Report

In our opinion, based on our work undertaken in the course of the audit:

- 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 year ended 31 December 2025 is consistent with the accounting records and 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.

In light of the knowledge and understanding of the Group and Society and their environment obtained in the course of the audit, we did not identify any material misstatements in the Annual Business Statement and the Directors' Report.

## Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Society's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditor. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Society's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Society's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Society will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Society was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Society and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Society's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

# Independent auditors' report to the members of Coventry Building Society continued

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Society's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities in respect of the preparation of the Annual Report & Accounts, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 have no realistic alternative but to do so.

### Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and Society/industry, we identified that the principal risks of non-compliance with laws and regulations related to Financial Conduct Authority's ('FCA') regulations and the Prudential Regulation Authority's ('PRA') regulations related to the financial statements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also consider those laws and regulations that have a direct impact on the financial statements such as the UK tax legislation and Building Societies Act 1986. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries that could be used to manipulate financial performance and potential for management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of internal audit and compliance monitoring findings throughout the year;
- Reading key correspondence with the Financial Conduct Authority and Prudential Regulation Authority;
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted to unusual account combinations based on our understanding of usual business operations, and late adjustments.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

# Independent auditors' report to the members of Coventry Building Society continued

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the Society's members as a body in accordance with Section 78 of the Building Societies Act 1986 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Building Societies Act 1986 exception reporting

Under the Building Societies Act 1986 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Society; or
- the 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.

We have no exceptions to report arising from this responsibility.

## Appointment

We were first appointed by the Society for the financial year ended 2019. Our uninterrupted engagement covers seven financial years.

## Other matter

The Society is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

## Other voluntary reporting

### Directors' remuneration

The Society voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The directors requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the Society were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Chris Shepherd (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
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	4	3,993	3,294	2,683	3,138
Interest payable and similar charges	5	(2,849)	(2,615)	(2,317)	(2,642)
<b>Net interest income</b>		<b>1,144</b>	<b>679</b>	<b>366</b>	<b>496</b>
Fees and commissions receivable	6	75	4	2	3
Fees and commissions payable	7	(47)	(10)	(9)	(9)
Other operating income	8	15	2	4	2
Losses from derivative financial instruments	9	(102)	(11)	(18)	(11)
<b>Total income</b>		<b>1,085</b>	<b>664</b>	<b>345</b>	<b>481</b>
Administrative expenses	10	(673)	(307)	(246)	(254)
Acquisition & integration related costs	10	(67)	(26)	(58)	(26)
Amortisation of intangible assets	19	(79)	(14)	(18)	(14)
Depreciation of property, plant and equipment	20	(25)	(12)	(12)	(12)
Impairment (charge)/ release on loans and advances to customers	16	(24)	18	(2)	11
Gain on acquisition of a subsidiary		584	–	–	–
<b>Profit before tax</b>		<b>801</b>	<b>323</b>	<b>9</b>	<b>186</b>
Taxation	17	11	(76)	26	(43)
<b>Profit for the financial year</b>		<b>812</b>	<b>247</b>	<b>35</b>	<b>143</b>

Profit for the financial year arises from continuing operations and is attributable to the members of the Society.

## Statements of Comprehensive Income

For the year ended 31 December 2025

	Notes	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
<b>Profit for the financial year</b>		<b>812</b>	<b>247</b>	<b>35</b>	<b>143</b>
<b>Other comprehensive (expense)/ income</b>					
<b>Items that will not be transferred to the income statement:</b>					
Remeasurement of defined benefit pension plan		(3)	(9)	(3)	(9)
Taxation	17	1	2	1	2
<b>Items that may be transferred to the income statement</b>					
<b>Fair value through other comprehensive income investments:</b>					
Fair value movements taken to reserves		32	(6)	17	(6)
Amount transferred to the income statement		(31)	3	(17)	3
Taxation	17	–	1	–	1
<b>Cash flow hedges:</b>					
Fair value movements taken to reserves		107	(11)	39	27
Amount transferred to the income statement		(235)	(45)	(129)	(122)
Taxation	17	36	16	24	27
<b>Other comprehensive expense for the year, net of tax</b>		<b>(93)</b>	<b>(49)</b>	<b>(68)</b>	<b>(77)</b>
<b>Total comprehensive income/(expense) for the year, net of tax</b>		<b>719</b>	<b>198</b>	<b>(33)</b>	<b>66</b>

The notes on pages 135 to 196 form part of these accounts.

# Balance Sheets

As at 31 December 2025

	Notes	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
<b>Assets</b>					
Cash in hand and balances with the Bank of England	13	11,948	9,893	8,912	9,818
Loans and advances to credit institutions	13	383	329	261	329
Debt securities	14	1,565	502	440	442
Loans and advances to customers	15	72,936	51,801	33,941	33,458
Hedge accounting adjustment		169	(448)	118	(448)
Derivative financial instruments	26	533	1,084	424	1,082
Investment in equity shares		5	9	—	9
Current tax assets		12	—	8	—
Deferred tax assets	23	205	—	—	—
Investments in Group undertakings	18	—	—	19,462	17,591
Intangible assets	19	269	55	48	55
Property, plant and equipment	20	101	47	50	47
Other assets	21	—	725	—	725
Prepayments and accrued income		85	34	45	34
Pension benefit surplus	22	28	—	—	—
<b>Total assets</b>		<b>88,239</b>	<b>64,031</b>	<b>63,709</b>	<b>63,142</b>
<b>Liabilities</b>					
Shares		50,830	49,343	50,830	49,343
Customer accounts		20,892	82	187	234
Deposits from banks	24	3,009	3,932	2,055	3,932
Debt securities in issue	25	8,307	6,543	5,615	4,930
Hedge accounting adjustment		29	(68)	7	(68)
Derivative financial instruments	26	320	305	252	254
Current tax liabilities		—	29	—	28
Deferred tax liabilities	23	—	86	44	74
Accruals and deferred income		152	61	81	57
Other liabilities	32	108	28	1,703	1,574
Pension benefit obligation	22	13	5	8	5
Subordinated liabilities	28	248	15	254	15
Subscribed capital	29	42	42	42	42
<b>Total liabilities</b>		<b>83,950</b>	<b>60,403</b>	<b>61,078</b>	<b>60,420</b>
<b>Equity</b>					
General reserve		3,506	2,754	1,854	1,879
Other equity instruments	30	665	665	665	665
Fair value through other comprehensive income reserve		—	(1)	(1)	(1)
Cash flow hedge reserve		118	210	113	179
<b>Total equity</b>		<b>4,289</b>	<b>3,628</b>	<b>2,631</b>	<b>2,722</b>
<b>Total liabilities and equity</b>		<b>88,239</b>	<b>64,031</b>	<b>63,709</b>	<b>63,142</b>

The notes on pages 135 to 196 form part of these accounts.

Approved by the Board of directors on 26 February 2026 and signed on its behalf by

**David Thorburn**  
Chair of the Board

**Stephen Hughes**  
Chief Executive

**Lee Raybould**  
Chief Financial Officer

# Statements of Changes in Members' Interest and Equity

For the year ended 31 December 2025

Group	General reserve £m	Other equity instruments £m	Fair value through other comprehensive income reserve £m	Cash flow hedge reserve £m	Total £m
<b>As at 1 January 2025</b>	2,754	665	(1)	210	3,628
Profit for the financial year	812	—	—	—	812
Net remeasurement of defined benefit plan	(2)	—	—	—	(2)
Net movement in fair value through other comprehensive income reserve	—	—	1	—	1
Net movement in cash flow hedge reserve	—	—	—	(92)	(92)
<b>Total comprehensive income/(expense)</b>	<b>810</b>	<b>—</b>	<b>1</b>	<b>(92)</b>	<b>719</b>
Distribution to Additional Tier 1 capital holders	(58)	—	—	—	(58)
<b>As at 31 December 2025</b>	<b>3,506</b>	<b>665</b>	<b>—</b>	<b>118</b>	<b>4,289</b>

<b>As at 1 January 2024</b>	2,573	415	1	250	3,239
Profit for the financial year	247	—	—	—	247
Additional Tier 1 Capital repurchased	(2)	(415)	—	—	(417)
Additional Tier 1 Capital issued	(7)	665	—	—	658
Net remeasurement of defined benefit plan	(7)	—	—	—	(7)
Net movement in fair value through other comprehensive income reserve	—	—	(2)	—	(2)
Net movement in cash flow hedge reserve	—	—	—	(40)	(40)
<b>Total comprehensive income/(expense)</b>	<b>231</b>	<b>250</b>	<b>(2)</b>	<b>(40)</b>	<b>439</b>
Distribution to Additional Tier 1 capital holders	(50)	—	—	—	(50)
<b>As at 31 December 2024</b>	<b>2,754</b>	<b>665</b>	<b>(1)</b>	<b>210</b>	<b>3,628</b>

Society	General reserve £m	Other equity instruments £m	Fair value through other comprehensive income reserve £m	Cash flow hedge reserve £m	Total £m
<b>As at 1 January 2025</b>	1,879	665	(1)	179	2,722
Profit for the financial year	35	—	—	—	35
Net remeasurement of defined benefit plan	(2)	—	—	—	(2)
Net movement in fair value through other comprehensive income reserve	—	—	—	—	—
Net movement in cash flow hedge reserve	—	—	—	(66)	(66)
<b>Total comprehensive income/(expense)</b>	<b>33</b>	<b>—</b>	<b>—</b>	<b>(66)</b>	<b>(33)</b>
Distribution to Additional Tier 1 capital holders	(58)	—	—	—	(58)
<b>As at 31 December 2025</b>	<b>1,854</b>	<b>665</b>	<b>(1)</b>	<b>113</b>	<b>2,631</b>

<b>As at 1 January 2024</b>	1,802	415	1	247	2,465
Profit for the financial year	143	—	—	—	143
Additional Tier 1 Capital repurchased	(2)	(415)	—	—	(417)
Additional Tier 1 Capital issued	(7)	665	—	—	658
Net remeasurement of defined benefit plan	(7)	—	—	—	(7)
Net movement in fair value through other comprehensive income reserve	—	—	(2)	—	(2)
Net movement in cash flow hedge reserve	—	—	—	(68)	(68)
<b>Total comprehensive income/(expense)</b>	<b>127</b>	<b>250</b>	<b>(2)</b>	<b>(68)</b>	<b>307</b>
Distribution to Additional Tier 1 capital holders	(50)	—	—	—	(50)
<b>As at 31 December 2024</b>	<b>1,879</b>	<b>665</b>	<b>(1)</b>	<b>179</b>	<b>2,722</b>

The notes on pages 135 to 196 form part of these accounts.

# Statements of Cash Flows

For the year ended 31 December 2025

	Notes	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
<b>Cash flows from operating activities:</b>					
<b>Profit before tax</b>		<b>801</b>	<b>323</b>	<b>9</b>	<b>186</b>
Adjustments for:					
Expected credit loss provisions	16	24	(18)	2	(11)
Depreciation and amortisation		104	26	30	26
Interest on subordinated liabilities and subscribed capital		21	6	14	6
Changes to fair value adjustment of hedged risk		56	102	59	28
Gain on acquisition	38	(584)	–	–	–
Other non-cash movements		18	(28)	207	(28)
<b>Non-cash items included in profit before tax</b>		<b>(361)</b>	<b>88</b>	<b>312</b>	<b>21</b>
Loans and advances to credit institutions		175	642	50	642
Loans and advances to customers		(750)	(1,507)	(485)	(1,444)
Prepayments, accrued income and other assets		715	(729)	710	(729)
<b>Changes in operating assets</b>		<b>140</b>	<b>(1,594)</b>	<b>275</b>	<b>(1,531)</b>
Shares		1,524	1,703	1,524	1,703
Customer accounts, deposits and other borrowings		(2,780)	(1,434)	(1,907)	(1,396)
Accruals and deferred income and other liabilities		85	14	30	14
<b>Changes in operating liabilities</b>		<b>(1,171)</b>	<b>283</b>	<b>(353)</b>	<b>321</b>
Interest paid on subordinated liabilities and subscribed capital		(29)	(6)	(18)	(6)
Interest paid on lease liabilities		(1)	–	–	–
Taxation		(60)	(35)	(15)	–
<b>Net cash flows from operating activities</b>		<b>(681)</b>	<b>(941)</b>	<b>210</b>	<b>(1,009)</b>
<b>Cash flows from investing activities</b>					
Net cash on acquisition of subsidiary	38	1,841	–	–	–
Purchase of investment securities		(182)	(844)	(16)	(717)
Sale and maturity of investment securities and equities		799	1,902	47	1,785
Purchase of property, plant and equipment and intangible assets		(68)	(26)	(26)	(26)
<b>Net cash flows from investing activities</b>		<b>2,390</b>	<b>1,032</b>	<b>5</b>	<b>1,042</b>
<b>Cash flows from financing activities</b>					
Distributions paid to Additional Tier 1 capital holders		(58)	(50)	(58)	(50)
Loans with connected undertakings		–	–	(1,428)	400
Issuance of AT 1 Capital <sup>1</sup>		–	658	–	658
Repurchase of AT 1 Capital <sup>1</sup>		–	(417)	–	(417)
Repurchase and repayment of debt securities		(1,232)	(598)	(850)	(430)
Principal elements of lease payments		(9)	(5)	(4)	(5)
Issue of debt securities		1,701	1,824	1,201	1,324
<b>Net cash flows from financing activities</b>		<b>402</b>	<b>1,412</b>	<b>(1,139)</b>	<b>1,480</b>
<b>Net increase in cash</b>		<b>2,111</b>	<b>1,503</b>	<b>(924)</b>	<b>1,513</b>
Cash and cash equivalents at start of year		9,893	8,390	9,818	8,305
<b>Cash and cash equivalents at end of year</b>	13	<b>12,004</b>	<b>9,893</b>	<b>8,894</b>	<b>9,818</b>

1. Net of transaction fees.

Included within cash flows from operating activities, is total interest received of £3,969 million (2024: £3,293 million) and total interest paid of £2,941 million (2024: £2,555 million) for the Group. For the Society, total interest received of £2,696 million (2024: £3,146 million) and total interest paid of £2,376 million (2024: £2,593 million) is included.

The notes on pages 135 to 196 form part of these accounts.

# Notes to the accounts

## 1. Accounting policies

### Basis of preparation

These accounts have been prepared in accordance with UK adopted International Accounting Standards in accordance with the requirements of the Building Societies Act 1986, the Disclosure and Transparency Rules of the Financial Conduct Authority (FCA) and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 that are applicable to the Group.

The accounts comprise the standalone financial statements of the Society and the consolidated financial statements of the Group. They have been prepared on a historical cost basis, as modified by the revaluation of financial instruments which are measured at fair value. As stated in the Directors' Report, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the accounts.

A summary of the Group's accounting policies is set out within this note. These accounting policies have been applied consistently throughout the current and prior year (where applicable). Further information on judgements in the application of accounting policies and significant accounting estimates is set out within note 2.

These accounts are presented in pounds sterling and, except where otherwise stated, all figures in the financial statements have been rounded to the nearest million pounds (£1 million).

### Basis of consolidation

The assets, liabilities and results of the Society and its consolidated subsidiaries and structured entities are included in the financial statements of the Group.

The Group consolidates an entity from the date on which it: (a) has power over the entity; (b) is exposed to, or has the right to, variable returns from its involvement with the entity; and (c) has the ability to affect those returns through the exercise of its powers. Upon consolidation, intra-group transactions, balances and unrealised gains and losses are eliminated.

The Group reassesses whether it controls an entity if facts and circumstances indicate that there are changes in one or more of these three elements. The Group deconsolidates entities from the date that control ceases.

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control.

Structured entities are consolidated when the substance of the relationship indicates control. In making this judgement, the Group considers factors such as the purpose and design of the entity, size and exposure to variability of returns and the nature of the relationship, including power over the structured entity.

The Society's investment in shares in its subsidiaries is recognised on the Balance Sheet at cost less any provision for impairment.

### Unconsolidated structured entities

Within the Group, the Bank is the sponsor of one unconsolidated structured entity, Warwick Finance Residential Mortgages Number Three plc. This structured entity is therefore not included within the consolidated results of the Group as its ongoing interest represents a less than de minimis variability of return. The Group will reassess its requirement to consolidate this entity on an annual basis.

## Changes in accounting standards

### Adoption of new and revised standards

There are no amendments to standards effective from 1 January 2025 that apply to and have a material impact on the Group.

### Future accounting developments

*Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7* is effective for accounting periods beginning on or after 1 January 2026. The amendments provide clarification to the derecognition criteria for financial liabilities when using an electronic payment system and guidance on the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows. The impact of these amendments is currently being assessed but is not expected to have a material impact to the Group.

*IFRS 18 Presentation and Disclosure in Financial Statements* is effective for accounting periods beginning on or after 1 January 2027 and was endorsed for use in the UK in December 2025. This standard replaces IAS 1 *Presentation of Financial Statements*. Whilst much of IAS 1 is retained in IFRS 18, the standard sets out updated principles for the presentation and disclosures of information in the financial statements, in particular the income statement. The requirements and impacts are currently being assessed and whilst it is expected that the presentation of information will be potentially amended, it is not expected to affect underlying recognition or measurement criteria.

# Notes to the accounts continued

## 1. Accounting policies continued

### Derecognition of financial assets and liabilities

The Group derecognises financial assets where the right to receive cash flows has expired, or where the assets are transferred with substantially all the risks and rewards of ownership. Where the transfer does not result in the transfer of cash flows, but the Group assumes an obligation to pay the cash flows to the transferee, the financial assets are also derecognised.

The Group derecognises financial liabilities when the obligation is discharged, cancelled or has expired.

Financial assets and liabilities are derecognised and a new instrument recognised where a renegotiated or new agreement is established on substantially different terms; an example of this would be a product port to a new property on a mortgage loan.

### Securitisation and covered bond transactions

The Group has securitised certain mortgage loans by transferring the loans to structured entities controlled by the Group. These securitisations enable the issuance of debt to investors, who take security in the underlying assets as collateral.

Where it is determined that the Group has control over the entity, the structured entities are fully consolidated into the Group accounts.

Transfers of mortgage loans to the structured entities are not treated as sales and the loans are not derecognised but remain on the transferor's own Balance Sheet as it retains substantially all the risks and rewards of the mortgage loans. In the accounts of the transferor, the proceeds received from the transfer of mortgage loans to structured entities are accounted for as a deemed loan from the structured entity and are disclosed within Other liabilities on the Balance Sheet.

For covered bonds, the transferring entity, and not the structured entity, issues the covered bonds and then lends the proceeds to the structured entity on back to back terms. The structured entity then uses these proceeds as consideration for the loans transferred from the Society or the Bank. In the accounts of the Society, neither the loan to the structured entity nor the consideration for the transfer of mortgage loans is recognised separately as an additional asset and liability.

The Group has also issued debt to be used as collateral for central government schemes or for use in sale and repurchase agreements (repos) and similar transactions. Some or all of the debt issuances may be retained by the Group.

Investments in such self-issued debt and the associated deemed loan, together with the related income, expenditure and cash flows, are not recognised in the Society's financial statements.

To manage interest rate risk, the Group enters into derivative transactions with its structured entities, receiving a rate of interest based on the securitised mortgages and paying a rate inherent in the debt issuances. In accordance with IFRS 9, these internal derivatives are treated as part of the deemed loan and not separately measured at fair value because the relevant mortgage loans are not derecognised. All other derivatives relating to securitisations and covered bonds are explained in the derivatives and hedge accounting policy below.

### Sale and repurchase agreements (repos)

Securities sold subject to a commitment to repurchase them are retained on the Balance Sheet when substantially all the risks and rewards of ownership remain within the Group. The counterparty liability is included separately on the Balance Sheet, as appropriate. The difference between the sale and repurchase price is accrued over the life of the agreements using the Effective Interest Rate (EIR) method.

### Interest receivable and interest payable

For instruments measured at amortised cost, the EIR method is used to measure the carrying value of a financial asset or a liability and to allocate associated interest income or expense and transaction costs over the relevant period. The EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. Interest income on fair value through other comprehensive income (FVOCI) debt is also included on an EIR basis.

In calculating the EIR, the Group estimates cash flows considering all contractual terms of the financial instrument. For assets that are in default and assessed as stage 3 under IFRS 9, interest is calculated by applying the EIR to the expected recoverable amount. The EIR calculation includes all directly attributable fees received and paid and costs borne and all other premiums above or below market rates.

### Fees and commissions

Fees and commissions receivable and payable that are not spread across expected asset lives under the EIR method are taken to income on an accruals basis as the related obligations are satisfied.

# Notes to the accounts continued

## 1. Accounting policies continued

### Leases

The majority of the Group's leases relate to property including branches, head office buildings and data centres. The Group also has other leases that relate to cars and office equipment.

Where the Group enters into a lease or contract that meets the criteria for lease classification under IFRS 16, the Group recognises an asset representing its right to use the leased item and a corresponding liability on the Balance Sheet.

The lease liability is measured at the present value of the lease payments including any incentives, additional lease components and lease extension or termination options where they are reasonably certain to be exercised.

These payments are discounted using the Group's incremental borrowing rate since no interest rates are specified in the Group's leases.

The right-of-use asset is measured at cost including the lease liability and any initial direct costs.

The right-of-use asset is depreciated over the shorter of its useful life or the lease term on a straight line basis through the Income Statement, and the interest charge on the lease liability is recognised within Interest payable. In the Cash Flow Statement, the interest paid on lease liabilities is included in Interest paid on lease liabilities, and the principal element of the lease payments is included in Principal elements of lease payments.

Expenses relating to leases that are for less than 12 months, of low value or relate to intangibles such as software are recognised in the Income Statement as charged.

On an ongoing basis the Group reviews the right-of-use asset and lease liability for any modifications that would require remeasurement and makes an assessment for impairment as required.

### Taxation including deferred tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised and is supported by a Board approved financial plan.

Deferred tax assets and liabilities are measured on a non-discounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, and based on tax rates and laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset when there is both a legally enforceable right and an intention to settle on a net basis.

Current and deferred tax is charged or credited directly to the Statement of Comprehensive Income if it relates to items that are credited or charged to the Statement of Comprehensive Income. Otherwise corporation tax is recognised in the Income Statement.

### Business combinations

The acquisition of the Bank represents a business combination under IFRS 3 and is accounted for using the acquisition method. Identifiable assets and liabilities as well as consideration are measured at their fair value at the date of acquisition. Goodwill is measured as the difference between the fair value determined for the acquired assets and liabilities and the fair value of consideration paid. Where the goodwill arising is negative, it is recognised in the income statement as a gain on date of acquisition. Other intangible assets arising as a result of the business combination and day one fair value adjustments arising are amortised over the estimated useful life.

### Segmental reporting

The Board is responsible for allocating resources and assessing the performance of the business and is therefore identified as the chief operating decision maker.

With effect from 1 January 2025, subsequent to the acquisition of the Bank, the Group has determined that it has two reportable segments as the Board reviews performance and makes decisions based on this information. The Group operates solely within the United Kingdom and therefore there is no segmental analysis on a geographical basis.

### Financial assets

Financial assets comprise cash and balances with the Bank of England, loans and advances to credit institutions, debt securities, loans and advances to customers, derivative financial instruments and investment in equity shares.

# Notes to the accounts continued

## 1. Accounting policies continued

### Financial assets continued

At initial recognition, the Group measures financial assets at their fair value. Subsequently, financial assets are classified in one of the following measurement categories:

- Amortised cost.
- Fair value through other comprehensive income (FVOCI).
- Fair value through profit and loss (FVTPL).

Financial assets are classified based on an assessment of the Group's business model for managing the assets and their contractual cash flow characteristics.

#### Amortised cost

Financial assets held to collect contractual cash flows and where contractual terms comprise solely payment of principal and interest are classified as amortised cost. This category of financial asset includes cash and balances with the Bank of England, loans and advances to credit institutions, loans and advances to customers, and a small portfolio of debt securities.

Financial assets within this category are recognised on either the receipt of cash or deposit of funds into one of the Group's bank accounts or when the funds are advanced to borrowers. After initial recognition, the assets are measured at amortised cost using the EIR method, less provision for expected credit losses.

Assets acquired through a business combination or portfolio acquisition are recognised at fair value at the acquisition date. The fair value at acquisition becomes the opening amortised cost for acquired assets. Fair value adjustments are made to reflect both credit risk and interest yield associated with the acquired loan assets. Any discount between the amount due and the fair value is subsequently recognised in interest receivable and similar income using the EIR method.

#### Fair value through other comprehensive income (FVOCI)

Financial assets held with the intent of collecting contractual cash flows or selling, where contractual terms comprise solely payment of principal and interest, are classified and measured at FVOCI. This category of financial asset includes most of the Group's debt securities which are held to manage liquidity.

Assets are measured at fair value based on quoted market prices or prices obtained from market intermediaries where available. In cases where quoted market prices are not available, discounted cash flow valuations are used.

Interest on FVOCI assets is recognised in Interest receivable and similar income in the Income Statement, using the EIR method.

Unrealised gains and losses arising from changes in fair value are recognised directly in Other comprehensive income, except for impairment losses and foreign exchange gains and losses, which are recognised in the Income Statement. Gains and losses arising on the sale of FVOCI assets, including any cumulative gains or losses previously recognised in Other comprehensive income, are recognised in the Income Statement.

#### Fair value through profit and loss (FVTPL)

FVTPL is the default category for financial assets which do not meet the criteria for amortised cost or FVOCI assets. Assets that are classified as FVTPL include derivative financial instruments, investments in equity shares and for the Society, investments in group undertakings that are debt instruments with write-down features.

These assets are carried at fair value and are initially recognised at the trade date.

Interest income and changes in the fair value of derivatives other than the effective portion of those in cash flow hedge accounting relationships are recognised in the Income Statement. The impact of hedging on the measurement of financial assets and liabilities is detailed in the derivatives and hedge accounting policy.

Dividends and changes in the fair value of equity instruments are recognised in the Income Statement.

### Impairment of financial assets

The Group assesses, on a forward-looking basis, the expected credit loss (ECL) associated with its financial assets carried at amortised cost and FVOCI and its mortgage pipeline commitments. Financial assets held at FVTPL are not subject to impairment under IFRS 9.

IFRS 9 requires the Group to categorise its financial assets into one of four stages at the reporting date.

Assets that are performing are shown in stage 1; assets where there has been a significant increase in credit risk since initial recognition are in stage 2; assets that were not credit impaired or in default at origination but have since become so are in stage 3; and assets that were Purchased or Originated Credit Impaired are classed as POCI. The Group is required to recognise a 12 month ECL allowance on all stage 1 assets and a lifetime ECL allowance on all stage 2, 3 and POCI assets. Whilst stage 2 or 3 assets may cure and revert to stage 1, POCI assets always attract a lifetime ECL until derecognition. Purchased assets that are not POCI are initially allocated to stage 1 on recognition by the Group.

# Notes to the accounts continued

## 1. Accounting policies continued

### Impairment of financial assets continued

The Group's treasury assets are investment grade and therefore assumed to be in stage 1, as permitted by IFRS 9. Accordingly, due to the extremely low probability of default (PD) of these instruments, the resulting ECL is immaterial to the financial statements.

### Loans and advances to customers

#### Significant accounting judgements - identifying significant increase in credit risk

The Group considers a loan to have experienced a significant increase in credit risk when one or more of the following qualitative, quantitative or backstop criteria have been met.

#### Qualitative criteria

The qualitative measures used to allocate a loan to stage 2 are aligned to the Group's underwriting and forbearance practices. In some cases, the qualitative measures will be evident before the borrower's credit score is impacted and they are therefore lead indicators of a deteriorating credit risk. These qualitative measures can be assessed as part the Group's underlying ECL model methodology, or applied as judgemental adjustments. Further information on the application of these judgemental adjustments is disclosed in Note 16.

Other criteria include county court judgements, bankruptcy (with no arrears), temporary transfer to interest only or poor external credit bureau data that exceeds the Group's underwriting policy at the reporting date, even if the loan is currently performing. For business and commercial exposures, the main trigger would be moving to a 'watchlist' status. Qualitative criteria are monitored and reviewed periodically for appropriateness.

#### Quantitative criteria

The Group uses internal credit risk gradings that reflect its assessment of the PD of individual borrowers and counterparties. Given the Group's very low risk loan book, a deterioration in internal risk grade rating may still result in a very low PD. Therefore in order for the loan to be assessed as stage 2, the portfolio-specific relative PD deterioration is typically subject to a minimum PD floor.

#### Backstop criteria

In addition, a loan is considered to have experienced a significant increase in credit risk if it is more than one month past due. Loans subject to this backstop measure will typically continue to be classified as stage 2 for a period of 12 months from the date that the arrears fall below one current monthly repayment.

#### Default

The Group considers a loan to be in default when the loan is three months or more in arrears i.e. current arrears balances are equal to three or more current monthly repayments. Alternatively, a loan is considered to be in default if certain qualitative criteria are met, which can include the following unlikelihood to pay indicators:

- The customer is bankrupt and the account is in arrears, or the customer has had an individual voluntary arrangement in the last three years at the bureau or with internal bankruptcy.
- Litigation proceedings against the borrower have begun and the account is in arrears.
- The loan is interest only and has gone three months past the scheduled term date, or 12 months past the contractual trigger event for equity release loans.
- The loan is interest only and has delayed the repayment of capital or extended the term of their interest only mortgage for forbearance reasons or under the new temporary FCA guidance.

These definitions where relevant align to the Group's internal definition of arrears for risk management and collection purposes.

#### Inputs, assumptions and estimation techniques

A loan is considered to no longer be in default (i.e. to have been cured) when a consecutive period of 12 months has passed since it met any of the above qualitative and quantitative criteria (cure period).

The measurement of expected credit loss reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of money.
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

# Notes to the accounts continued

## 1. Accounting policies continued

### Loans and advances to customers continued

#### Inputs, assumptions and estimation techniques (continued)

Expected credit losses (ECLs), being forward-looking, are discounted back to the reporting date and are calculated by multiplying the probability of default (PD), exposure at default (EAD) and loss given default (LGD) where:

- The PD represents the likelihood of a borrower defaulting over either the next 12 months or over the remaining lifetime of the mortgage (being the contractual lifetime).
- EAD is the amount the Group expects to be owed at the time of default.
- LGD represents the Group's expectation of the extent of loss on a default and takes account of available collateral, likely sales cost and potential discount needed to secure a sale.

More information on the forward-looking information incorporated in the ECL calculations is included in note 16.

#### Post model adjustments

The Group applies post model adjustments (PMAs) to reflect ECLs relating to items that cannot be adequately captured by existing models and as a result, management judgement and estimation are required in order to reflect the underlying risk.

The assumptions used in calculating ECLs are regularly reviewed and model outputs and components of ECL estimates are assessed by management in line with internal policy. This is used across all aspects of the model including the assessment of the predicted PD or LGD of an account against the actual outturn.

#### ECL allowance on acquired portfolios

Following an acquisition, the acquiree, i.e. the Group, is required under IFRS 9 to recognise a new ECL allowance against the acquired non-credit impaired financial assets. Therefore all of the Bank's non-credit impaired assets were initially recognised by the Group in stage 1. Loans that are credit impaired on acquisition are classed as purchased or originated credit-impaired ('POCI'), with any credit risk against these assets covered by the fair value adjustment recognised against the assets. Such credit impaired loans remain categorised as POCI throughout their life, irrelevant of any significant improvement in credit quality.

#### Governance of Expected Credit Losses

Governance over ECLs is carried out by the Group's ECL Working Group (ECLG), which meets on a regular basis, at least quarterly. ECLG is made up of members from the Finance and Credit Risk functions in addition to members from the second and third lines of defence. They are responsible for the review of key assumptions and judgements within the ECL calculations such as the staging criteria or need for post model adjustments and does this by review of key management information and assessing existing and future risks to the portfolio. Assumptions and judgements are approved by the ECLG with oversight performed by the Board Audit Committee.

Governance over the IFRS 9 ECL models is carried out by the Model Risk Committee and includes assessments of model performance, model monitoring and model validation at regular intervals and on an ad hoc basis where significant model enhancements are carried out. See the Risk Management Report for more information on model risk.

ECLs for loans and advances to customers reduce the carrying amount of these assets in the Balance Sheet and the movement in ECLs is included in Impairment charge in the Income Statement. For mortgage pipeline exposures and undrawn facilities, the provision is included in the ECL provision in the Balance Sheet.

Further information on PMA in place at the year end can be found in note 16.

#### Calculation of expected credit loss under IFRS 9 - loans with group undertakings

Loans with group undertakings are valued at cost less any provision for impairment. These balances are reviewed annually for evidence of potential impairment or significant increase in credit risk with any impairment recognised in the Income Statement. No impairment has been identified.

#### Write-off policy

The Group writes off financial assets when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery.

# Notes to the accounts continued

## 1. Accounting policies continued

### Derivative financial instruments

The Group holds derivative financial instruments only to manage the risks associated with its non-variable rate assets and liabilities and its foreign currency transactions, and not for speculative or trading purposes.

All external derivative financial instruments are carried at fair value. Derivatives are principally valued by discounting cash flows using yield curves that are based on observable market data. In measuring fair value, separate adjustments are made for credit risk to the extent not already included in the valuation.

### Hedge accounting

The Group applies the requirements of IAS 39 for hedge accounting. Where the documentation, eligibility and testing criteria for hedge accounting set out in IAS 39 are met, the Group applies hedge accounting and designates the hedging derivative as either hedging fair value or cash flow risks. The Group undertakes this on both an individual and a portfolio hedge accounting basis.

The acquisition of the Bank included a portfolio of non-interest bearing balances (NIBBs), which are financial instruments that have not been previously held within the Group. The Group has relied on the provisions of UK-adopted IAS 39 that allows an effective hedge accounting relationship to be designated for the interest rate exposure arising from stable, non-interest bearing current accounts based on behavioural modelling of their expected duration.

### Fair value hedges

Changes in the fair value of derivatives that are designated in fair value hedge relationships are recorded in the Income Statement under Net gains/losses from derivative financial instruments in the period in which the movement occurs, together with the change in fair value of the hedged asset or liability that is attributable to the hedged risk (interest rate risk). This also applies if the hedged item is classified as an FVOCI financial asset.

### Cash flow hedges

Gains and losses on derivative financial instruments hedging the variability in cash flows of a designated asset or liability are recognised directly through the Statement of Comprehensive Income in the cash flow hedge reserve. The relevant portion of the gain or loss on the hedging instrument is recognised in the Income Statement immediately to the extent that the hedge is deemed ineffective under IAS 39. Any amounts deferred to the cash flow hedge reserve are subsequently recycled to the Income Statement when the underlying asset or liability being hedged impacts the Income Statement, for example, when foreign exchange movements occur.

### Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment. Maintenance costs associated with the operation of these intangibles are charged to the Income Statement as incurred. Amortisation is charged to the Income Statement on a straight line basis over the useful life of the asset commencing from the date the asset is ready for use.

The useful life of computer software is reviewed by management at each financial year end and is currently between three and eight years for assets which are currently in use.

Software development costs, both internal and external, and purchased software that is not an integral part of a related hardware purchase are recognised as an intangible asset if it is probable that: (a) the asset is controlled by the Group; (b) it is separately identifiable; and (c) it will generate future economic benefits. For each significant project undertaken by the Group, an assessment of capitalisation criteria including future economic benefit is performed by the relevant business area and reviewed in accordance with agreed governance processes.

Intangible assets held by the Group also includes a core deposit relationship asset recognised as part of business combinations and is held at cost (equivalent to fair value at acquisition) less accumulated amortisation and impairment. This is amortised over an estimated useful life of five years on a straight line basis.

Intangible assets, including assets in the course of construction, are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may exceed the recoverable amount. Where impairment is identified, the asset is written down immediately to the estimated recoverable amount and the impairment amount is charged to the Income Statement.

# Notes to the accounts continued

## 1. Accounting policies continued

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment.

The carrying values of property, plant and equipment are reviewed at each reporting date for impairment or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Where this is the case, the asset is written down immediately to the estimated recoverable amount.

Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying value of the asset and are included within the Income Statement.

Depreciation commences when the asset is ready for use and is provided on a straight line basis over the anticipated useful life of the asset, which is typically as follows:

Freehold and long leasehold buildings	Over a period of 50 years
Leasehold adaptations	Shorter of remaining term of the lease and useful life
Equipment, fixtures and fittings	Three to eight years

### Employee benefits

#### Pensions

The Group operates both defined benefit and defined contribution pension schemes for employees.

Contributions to the defined contribution pension schemes are recognised as an expense in the Income Statement as incurred, on an accruals basis.

The Group's net obligations under each defined benefit pension scheme are assessed annually by independent qualified actuaries. The net obligations are calculated as the difference between the fair value of the schemes' assets and the amount of future entitlements earned by the schemes' members from service in prior periods, discounted back to present values using a rate based on an index of long-dated AA rated corporate bonds for each separate scheme. This calculation allows the net obligation of each scheme to be expressed as either a surplus or a deficit, which is recognised as either an asset or a liability respectively in the Group's accounts at the Balance Sheet date.

Gains or losses arising from the remeasurement of the defined benefit pension schemes are recognised in full, in the year they occur, in the Statement of Comprehensive Income.

#### Other long-term employee benefits

The cost of bonuses payable 12 months or more after the end of the financial years in which they are earned is recognised in the year in which the employees render the related service.

#### Short-term employee benefits

The cost of short-term employee benefits, including wages and salaries, social security costs, bonuses payable within 12 months and healthcare, is recognised in the year of service.

### Financial liabilities

Financial liabilities include shares, customer accounts, bank and other deposits, debt securities in issue, derivative financial instruments, subordinated liabilities and subscribed capital. The Group classifies its financial liabilities into the following categories:

#### Amortised cost

Financial liabilities, other than those classified as fair value through profit and loss, are measured on an amortised cost basis reflecting their face value adjusted for any unamortised premiums, discounts and transaction costs directly attributable to the acquisition or issue.

Amortisation is recognised in Interest payable and similar charges at the Effective Interest Rate of the liability.

#### Fair value through profit and loss

All derivatives are carried at fair value. Changes in the fair value of derivatives other than those in cash flow hedge accounting relationships are recognised in the Income Statement. The impact of hedging on the measurement of financial assets and liabilities is detailed in the derivatives and hedge accounting policy above. For changes in the fair value of derivatives in cash flow hedge accounting relationships, see the accounting policy for cash flow hedges.

In the Society only, specific debt securities in issue and subordinated liabilities have been designated at fair value in order to avoid an accounting mismatch where the financial instruments have been downstreamed to the Bank on a like-for-like basis and the corresponding internal assets have been mandatorily classified at fair value. As this mismatch does not persist at the Group level, these instruments are classified at amortised cost on the Group balance sheet.

# Notes to the accounts continued

## 1. Accounting policies continued

### Provisions and contingent liabilities

A provision is recognised when there is a present obligation as a result of a past event, it is probable that the obligation will be settled and the amount can be estimated reliably.

Contingent liabilities are potential obligations from past events which will only be confirmed by future events. Contingent liabilities are not recognised within the Balance Sheet.

### Equity instruments

Financial instruments are classified as equity instruments where the contractual arrangements with the holder do not result in the Group having a present obligation to deliver cash, another financial asset or a variable number of equity instruments. Where the Group does have a present obligation, the instrument is classified as a financial liability.

The proceeds of the issuance of equity instruments are included in equity net of the costs directly attributable to the issuance.

Distributions to holders of equity instruments are recognised when they become irrevocable and are deducted from the general reserve.

### Foreign currency translation

The consolidated financial statements are presented in pounds sterling, which is the functional currency of the Group.

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are re-translated at the rate prevailing at the Balance Sheet date. Foreign exchange gains and losses resulting from re-translation and settlement are recognised on a net basis in the Income Statement within Interest payable and similar charges.

### Cash and cash equivalents

Cash and cash equivalents in the Statement of Cash Flows comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, and loans and advances to credit institutions. Restricted balances such as cash collateral are excluded from cash and cash equivalents.

### IFRS disclosure

For ease of reference, certain audited IFRS disclosures related to credit, market and liquidity and funding risks are included within the Risk Management Report.

A maturity analysis for all assets and liabilities is presented in the Liquidity and Funding section of the Risk Management Report.

Audited information is also included within the Directors' Remuneration Report. These disclosures, where marked as 'audited', are covered by the Independent Auditors' Report.

# Notes to the accounts continued

## 2. Judgement in applying accounting policies and significant accounting estimates

In the process of applying accounting policies, the Group makes various judgements, estimates and assumptions that have had a significant effect on the amounts recognised in the financial statements. The Group has also made assumptions and estimates that could affect the reported amount of assets and liabilities both in the accounts and in the following financial years.

In relation to the acquisition of the Bank on 1 January 2025, the Group made significant judgements and estimates in respect of valuation techniques, modelling assumptions and estimates of market inputs used to determine the fair value of identifiable assets acquired and liabilities assumed. This resulted in the recognition of a gain on acquisition of £584 million. Further information is included in note 38.

Other significant judgements, assumptions and estimates are disclosed in the following notes:

Significant accounting policy judgements	Notes
Determining a significant increase in credit risk (SICR) under IFRS 9	1
Significant accounting assumptions and estimates	
Measurement of deferred tax assets in respect of future taxable profits	23

The significant accounting policy judgements included the classification and measurement of equity release loans in the prior year. As a result of this being a small residual and closed portfolio in run off, this is no longer classed as a significant accounting policy judgment.

In the prior year, the significant accounting assumptions and estimates included, in relation to expected credit loss provision on loans and advances to customers, the application of post model adjustments and forward-looking information incorporated in the ECL models. As a result of the nature of risk in the lending portfolio in the context of the Group financial statements, these are no longer classed as a significant accounting assumption and estimate.

## 3. Segmental reporting

Coventry Building Society and its subsidiaries all operate in the United Kingdom and therefore no further geographical analysis has been presented.

The chief operating decision maker has been identified as the Group Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Operating segments are reported in a manner consistent with the internal reporting provided to the Board.

The Group operates with the following two segments:

**Society sub-group:** Provides retail financial services across mortgages and savings products to individual members and customers. Includes all income and costs associated with Coventry Building Society, Godiva Mortgages Ltd, ITL Mortgages Ltd and the consolidated Special Purpose Vehicles (SPV), (namely Coventry Building Society Covered Bonds LLP, Coventry Godiva Covered Bonds LLP and Economic Master Issuer plc).

**Bank sub-group:** Provides retail and business banking services across mortgages, savings, current accounts and unsecured lending products to individual, business and commercial customers. Includes all income and costs associated with The Co-operative Bank Holdings p.l.c., The Co-operative Bank p.l.c. and their subsidiaries and the consolidated SPV Moorland Covered Bonds LLP.

In addition to the two segments identified above, certain other financial adjustments arise at a consolidated level as a result of combining the two organisation segments together. These have been classified separately as a consolidation category.

# Notes to the accounts continued

## 3. Segmental reporting continued

There is no comparative segmental reporting disclosed for the prior period. Prior to the acquisition of the Bank, the Group had no separately identified segments, being a wholly UK operating retail financial services organisation under one banking licence.

	Society sub-group 2025 £m	Bank sub-group 2025 £m	Consolidation 2025 £m	Group 2025 £m
Net interest income <sup>1</sup>	611	431	102	1,144
Other non-interest (expense)/ income	(21)	52	(90)	(59)
<b>Total income</b>	<b>590</b>	<b>483</b>	<b>12</b>	<b>1,085</b>
Administrative expenses	(301)	(372)	–	(673)
Acquisition & integration related costs	(58)	(9)	–	(67)
Amortisation and depreciation	(29)	(45)	(30)	(104)
Impairment charge	(2)	(4)	(18)	(24)
Gain on acquisition of a subsidiary	–	–	584	584
<b>Profit before tax</b>	<b>200</b>	<b>53</b>	<b>548</b>	<b>801</b>
<b>Total assets</b>	<b>64,618</b>	<b>24,981</b>	<b>(1,360)</b>	<b>88,239</b>
<b>Total liabilities</b>	<b>60,962</b>	<b>23,629</b>	<b>(641)</b>	<b>83,950</b>

1. Net interest income of Society sub-group and Bank sub-group includes intercompany interest of £17m paid by the Bank to the Society, which is eliminated in the Group.

## 4. Interest receivable and similar income

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
On financial assets measured at amortised cost:				
Loans and advances to customers	2,795	1,846	1,262	1,145
Connected undertakings	–	–	546	555
Interest on other liquid assets <sup>1</sup>	562	496	420	490
Interest and other income on debt securities measured at FVOCI	96	60	7	56
Net income on financial instruments in a qualifying hedge relationship	539	892	448	892
<b>Total interest receivable and similar income calculated using the EIR method</b>	<b>3,992</b>	<b>3,294</b>	<b>2,683</b>	<b>3,138</b>
Interest income on derivatives not in a designated hedging relationship	1	–	–	–
<b>Total interest receivable and similar income</b>	<b>3,993</b>	<b>3,294</b>	<b>2,683</b>	<b>3,138</b>

1. Interest on other liquid assets includes £526 million for the Group and £407 million for the Society (2024: £470 million, Group and Society) in respect of interest on reserve balances with the Bank of England.

## 5. Interest payable and similar charges

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
On shares held by individuals	1,844	1,935	1,844	1,935
On customer accounts	400	–	–	–
On subscribed capital	5	5	5	5
On other deposits and borrowings				
Subordinated liabilities	16	1	9	1
Debt securities in issue	317	229	182	150
Loans from connected undertakings	–	–	119	128
Other <sup>1</sup>	192	241	114	241
Net expense from hedging instruments	74	204	42	182
Foreign currency losses	1	–	2	–
<b>Total interest payable and similar charges</b>	<b>2,849</b>	<b>2,615</b>	<b>2,317</b>	<b>2,642</b>

1. Other interest payable includes £104 million for the Group and £43 million for the Society (2024: £154 million, Group and Society) relating to interest on balances drawn under the Term Funding Scheme and £23 million for the Group and £20 million for the Society (2024: £51 million, Group and Society) of interest on collateral in respect of swap agreements.

# Notes to the accounts continued

## 6. Fees and commissions receivable

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Mortgage related administration fees	8	3	2	2
Current accounts	58	—	—	—
Credit cards	7	—	—	—
Other fees and commissions	2	1	—	1
<b>Total</b>	<b>75</b>	<b>4</b>	<b>2</b>	<b>3</b>

Group fees and commissions receivable for current accounts represents income for merchant interchange and added value accounts.

## 7. Fees and commissions payable

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Mortgage related administration fees	6	4	3	3
Current accounts	31	—	—	—
Credit cards	4	—	—	—
Other fees and commissions	6	6	6	6
<b>Total</b>	<b>47</b>	<b>10</b>	<b>9</b>	<b>9</b>

Group fees and commissions payable for current accounts represents costs for provided added value accounts as well as access to payment networks.

## 8. Other operating income

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Investment in equity shares	5	2	3	2
Foreign exchange gains	8	—	—	—
Other	2	—	1	—
<b>Total</b>	<b>15</b>	<b>2</b>	<b>4</b>	<b>2</b>

## 9. Net losses from derivative financial instruments

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Derivatives designated as fair value hedges				
Losses on derivatives designated as fair value hedges	(753)	(119)	(625)	(119)
Movement in fair value of hedged items attributable to hedged risk	549	(16)	508	(16)
Derivatives designated as fair value hedges	(204)	(135)	(117)	(135)
Derivatives designated as cash flow hedges				
Interest rate	108	126	108	126
Derivatives designated as cash flow hedges	108	126	108	126
Losses on other derivatives	(6)	(2)	(9)	(2)
<b>Total</b>	<b>(102)</b>	<b>(11)</b>	<b>(18)</b>	<b>(11)</b>

Further information on the Group's risk management strategy and how it hedges interest rate and foreign exchange risk is included in note 26.

Losses on other derivatives where hedge accounting relief has not been obtained are £6 million over the year for the Group and £9 million for the Society (2024: £2 million loss Group and Society).

The gains and losses recognised represent both the impact of early termination of derivative instruments and timing differences, which are expected to reverse over the remaining life of the derivatives, although further volatility may also be experienced. Within losses on derivatives designated as fair value hedges reported in the year, £99 million is included which arose from the restart of the hedging programme against the acquired Bank's mortgage portfolio and non-interest bearing liabilities as well as liquidity instruments.

# Notes to the accounts continued

## 9. Net losses from derivative financial instruments continued

Foreign exchange losses of £128 million (2024: £78 million gains) have been recognised in the Income Statement relating to the principal amount of financial instruments held at amortised cost. This is offset by foreign exchange gains of £127 million (2024: £81 million loss) on derivative financial instruments held at fair value.

## 10. Administrative expenses

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Employee costs				
Wages and salaries	252	137	119	137
Social security costs	33	15	18	15
Pension costs	17	9	9	9
	302	161	146	161
Other expenses				
Information systems	162	52	35	52
Training, recruitment and other employee costs	12	13	8	13
Premises and facilities	21	9	10	9
Legal, professional and consultancy	67	36	26	36
Marketing and communications	16	9	12	9
Other operating expenses (include project costs)	93	27	62	26
Intercompany management charge	–	–	(53)	(52)
<b>Total</b>	<b>673</b>	<b>307</b>	<b>246</b>	<b>254</b>
Acquisition and integration related costs	67	26	58	26
<b>Total administrative expenses</b>	<b>740</b>	<b>333</b>	<b>304</b>	<b>280</b>

Acquisition and integration related costs includes the residual legal, professional and consultancy fees in relation to the purchase of the Bank as well as the one off costs relating to the bringing together of people, systems and processes.

The intercompany management charge reflects a contribution to operational costs by Godiva Mortgages Limited and ITL Mortgages Limited to the Society in respect of management and servicing of their mortgage portfolios. There is no management recharge for services between the Society and Bank in the year.

The remuneration of the external auditors, PricewaterhouseCoopers LLP, (excluding VAT) is set out below:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Audit of the Group and Society annual accounts	1.3	1.4	1.3	1.4
Audit of Group subsidiaries	2.6	0.2	–	–
Audit related assurance services	0.3	0.1	0.3	0.1
Other non-audit services	0.3	0.3	0.2	0.3
<b>Total</b>	<b>4.5</b>	<b>2.0</b>	<b>1.8</b>	<b>1.8</b>

## 11. Employee numbers

The average number of persons employed during the year (including executive directors) was:

	Group 2025	Group 2024	Society 2025	Society 2024
Full time	4,598	2,358	2,957	2,358
Part time	1,354	722	781	722
<b>Total</b>	<b>5,952</b>	<b>3,080</b>	<b>3,738</b>	<b>3,080</b>
Head office and administrative centres	5,052	2,516	3,190	2,516
Branches	900	564	548	564
<b>Total</b>	<b>5,952</b>	<b>3,080</b>	<b>3,738</b>	<b>3,080</b>

The average number of employees of the Group on a full time equivalent basis was 5,520 (2024: 2,821) and all of these are employed within the United Kingdom.

During the year, a number of Bank head office employees were legally transferred to the Society. These individuals have continued to deliver activities to the Bank during 2025 and therefore their costs are recognised in the Bank and not the Society.

# Notes to the accounts continued

## 12. Classification and measurement of financial instruments

The following tables summarise the classification of carrying amounts of the Group and Society's financial assets and liabilities at the reporting date.

Group	2025				2024			
	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit and loss £m	Total £m	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit and loss £m	Total £m
<b>Financial assets</b>								
Cash and balances with the Bank of England	11,948	–	–	11,948	9,893	–	–	9,893
Loans and advances to credit institutions	383	–	–	383	329	–	–	329
Debt securities	26	1,536	3	1,565	–	502	–	502
Loans and advances to customers	72,936	–	–	72,936	51,801	–	–	51,801
Hedge accounting adjustment	169	–	–	169	(448)	–	–	(448)
Derivative financial instruments	–	–	533	533	–	–	1,084	1,084
Investment in equity shares	–	–	5	5	–	–	9	9
<b>Total financial assets</b>	<b>85,462</b>	<b>1,536</b>	<b>541</b>	<b>87,539</b>	<b>61,575</b>	<b>502</b>	<b>1,093</b>	<b>63,170</b>
Other non-financial assets	700	–	–	700	861	–	–	861
<b>Total assets</b>	<b>86,162</b>	<b>1,536</b>	<b>541</b>	<b>88,239</b>	<b>62,436</b>	<b>502</b>	<b>1,093</b>	<b>64,031</b>
<b>Financial liabilities</b>								
Shares	50,830	–	–	50,830	49,343	–	–	49,343
Customer accounts	20,892	–	–	20,892	82	–	–	82
Deposits from banks	3,009	–	–	3,009	3,932	–	–	3,932
Debt securities in issue	8,307	–	–	8,307	6,543	–	–	6,543
Hedge accounting adjustment	29	–	–	29	(68)	–	–	(68)
Derivative financial instruments	–	–	320	320	–	–	305	305
Subordinated liabilities	248	–	–	248	15	–	–	15
Subscribed capital	42	–	–	42	42	–	–	42
<b>Total financial liabilities</b>	<b>83,357</b>	<b>–</b>	<b>320</b>	<b>83,677</b>	<b>59,889</b>	<b>–</b>	<b>305</b>	<b>60,194</b>
Other non-financial liabilities	273	–	–	273	209	–	–	209
<b>Total liabilities</b>	<b>83,630</b>	<b>–</b>	<b>320</b>	<b>83,950</b>	<b>60,098</b>	<b>–</b>	<b>305</b>	<b>60,403</b>

# Notes to the accounts continued

## 12. Classification and measurement of financial instruments continued

Society	2025				2024			
	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit and loss £m	Total £m	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit and loss £m	Total £m
<b>Financial assets</b>								
Cash and balances with the Bank of England	8,912	–	–	8,912	9,818	–	–	9,818
Loans and advances to credit institutions	261	–	–	261	329	–	–	329
Debt securities	–	440	–	440	–	442	–	442
Loans and advances to customers	33,941	–	–	33,941	33,458	–	–	33,458
Hedge accounting adjustment	118	–	–	118	(448)	–	–	(448)
Derivative financial instruments	–	–	424	424	–	–	1,082	1,082
Loans with Group undertakings	18,263	–	446	18,709	17,583	–	–	17,583
Investment in equity shares	–	–	–	–	–	–	9	9
<b>Total financial assets</b>	<b>61,495</b>	<b>440</b>	<b>870</b>	<b>62,805</b>	<b>60,740</b>	<b>442</b>	<b>1,091</b>	<b>62,273</b>
Other non-financial assets	904	–	–	904	869	–	–	869
<b>Total assets</b>	<b>62,399</b>	<b>440</b>	<b>870</b>	<b>63,709</b>	<b>61,609</b>	<b>442</b>	<b>1,091</b>	<b>63,142</b>
<b>Financial liabilities</b>								
Shares	50,830	–	–	50,830	49,343	–	–	49,343
Customer accounts	187	–	–	187	234	–	–	234
Deposits from banks	2,055	–	–	2,055	3,932	–	–	3,932
Debt securities in issue	5,408	–	207	5,615	4,930	–	–	4,930
Hedge accounting adjustment	7	–	–	7	(68)	–	–	(68)
Derivative financial instruments	–	–	252	252	–	–	254	254
Subordinated liabilities	15	–	239	254	15	–	–	15
Subscribed capital	42	–	–	42	42	–	–	42
<b>Total financial liabilities</b>	<b>58,544</b>	<b>–</b>	<b>698</b>	<b>59,242</b>	<b>58,428</b>	<b>–</b>	<b>254</b>	<b>58,682</b>
Other non-financial liabilities	1,836	–	–	1,836	1,738	–	–	1,738
<b>Total liabilities</b>	<b>60,380</b>	<b>–</b>	<b>698</b>	<b>61,078</b>	<b>60,166</b>	<b>–</b>	<b>254</b>	<b>60,420</b>

## 13. Cash and cash equivalents

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Cash and balances at central banks	11,948	9,893	8,912	9,818
Loans and advances to credit institutions repayable in 3 months or less	56	–	(18)	–
<b>Total cash and cash equivalents</b>	<b>12,004</b>	<b>9,893</b>	<b>8,894</b>	<b>9,818</b>

Included within loans and advances to credit institutions at 31 December 2025 is £327 million for the Group and £279 million for the Society (2024: £329 million, Group and Society) which relates to collateral pledged as part of the Group's involvement in transactional payment schemes, pension scheme arrangements and derivative clearing that is not classified as cash and cash equivalents due to restrictions to its access.

At 31 December 2025, £26 million (2024: £nil) of cash in transit is included within loans and advances to credit institutions for the Society.

# Notes to the accounts continued

## 14. Debt securities

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Amortised cost:				
Mortgage backed securities	26	—	—	—
<b>Total amortised cost</b>	<b>26</b>	<b>—</b>	<b>—</b>	<b>—</b>
Fair value through other comprehensive income:				
UK Government investment securities	789	483	440	423
Other listed transferable debt securities	747	19	—	19
<b>Total fair value through other comprehensive income</b>	<b>1,536</b>	<b>502</b>	<b>440</b>	<b>442</b>
Fair value through profit and loss:				
Mortgage backed securities	3	—	—	—
<b>Total fair value through profit and loss</b>	<b>3</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total debt securities</b>	<b>1,565</b>	<b>502</b>	<b>440</b>	<b>442</b>

Group	2025				2024			
	Amortised cost £m	FVOCI £m	FVTPL £m	Total £m	Amortised cost £m	FVOCI £m	FVTPL £m	Total £m
<b>As at 1 January 2025</b>	—	502	—	502	—	1,564	—	1,564
Recognised on acquisition	47	1,587	3	1,637	—	—	—	—
Additions	—	182	—	182	—	844	—	844
Maturities and disposals	(21)	(765)	—	(786)	—	(1,902)	—	(1,902)
Change in fair value	—	30	—	30	—	(4)	—	(4)
<b>As at 31 December 2025</b>	<b>26</b>	<b>1,536</b>	<b>3</b>	<b>1,565</b>	<b>—</b>	<b>502</b>	<b>—</b>	<b>502</b>

Society	2025				2024			
	Amortised cost £m	FVOCI £m	FVTPL £m	Total £m	Amortised cost £m	FVOCI £m	FVTPL £m	Total £m
<b>As at 1 January 2025</b>	—	442	—	442	—	1,515	—	1,515
Additions	—	16	—	16	—	718	—	718
Maturities and disposals	—	(35)	—	(35)	—	(1,787)	—	(1,787)
Change in fair value	—	17	—	17	—	(4)	—	(4)
<b>As at 31 December 2025</b>	<b>—</b>	<b>440</b>	<b>—</b>	<b>440</b>	<b>—</b>	<b>442</b>	<b>—</b>	<b>442</b>

A maturity analysis of the Group debt securities is included in the Liquidity and Funding section of the Risk Management Report. Of the £440 million relating to the Society at 31 December 2025, £127 million are due in less than one year, £313 million in more than one year.

At the 31 December 2025, debt securities totalling £10 million for the Group and £nil for the Society had been sold under sale and repurchase agreements (2024: £112 million Group, £112 million Society).

# Notes to the accounts continued

## 15. Loans and advances to customers

	Notes	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
<b>Retail</b>					
Secured: owner-occupier		50,758	32,422	32,663	32,114
Secured: buy to let		20,933	19,374	1,258	1,319
Unsecured <sup>1</sup>		223	–	–	–
<b>Business and commercial</b>		1,014	–	–	–
<b>Total Gross loans and advances to customers (contractual amounts)</b>		72,928	51,796	33,921	33,433
Impairment	16	(44)	(24)	(13)	(11)
<b>Total Net loans and advances to customers (contractual amounts)</b>		72,884	51,772	33,908	33,422
EIR, fair value and other adjustments		52	29	33	36
<b>Total</b>		72,936	51,801	33,941	33,458

1. Unsecured represents credit cards, personal loans and overdraft facilities provided.

### Off balance sheet exposures

Following the acquisition of the Bank, the Group now has customers across new lending areas, namely retail unsecured (comprising primarily credit cards and overdraft facilities) as well as business and commercial lending. As a result, the Group now has off balance sheet exposures to undrawn credit facilities of £3,946 million at 31 December 2025, including the mortgage pipeline. This is in addition to the on balance sheet lending exposures presented above. All expected credit loss provisions are based on the gross exposure rather than the balance drawn, which is recognised on balance sheet.

### Maturity analysis

The remaining contractual maturity of loans and advances to customers at the Balance Sheet date is as follows:

	Notes	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Repayable in less than one year		4,796	3,636	2,109	2,071
Repayable in more than one year		68,184	48,189	31,845	31,398
		72,980	51,825	33,954	33,469
Impairment provision	16	(44)	(24)	(13)	(11)
<b>Total</b>		72,936	51,801	33,941	33,458

Actual redemption levels experienced by the Group or Society may differ from the contractual analysis.

### Pledged assets - loans and advances to customers

Certain loans and advances to customers have been pledged to the Group's asset backed funding programmes or utilised as whole mortgage loan pools with the Bank of England to enable the Group to obtain secured funding. Loans and advances to customers pledged to support secured funding and the notes in issue are as follows:

2025 Group	Notes in issue <sup>1</sup>				Total £m
	Mortgages pledged £m	Held by third parties £m	Held by the Group pledged £m	Held by the Group unpledged £m	
<b>Loans and advances to customers</b>					
Covered bond programme - Coventry Building Society Covered Bonds LLP	7,703	3,674	1,132	218	5,024
Covered bond programme - Coventry Godiva Covered Bonds LLP	4,294	–	–	3,000	3,000
Covered bond programme - Moorland Covered Bonds LLP	2,519	500	455	545	1,500
Securitisation programme - Economic Master Issuer plc	2,332	1,730	–	–	1,730
Whole mortgage loan pools <sup>2</sup>	3,857	–	1,776	2,081	3,857
<b>Total</b>	20,705	5,904	3,363	5,844	15,111

# Notes to the accounts continued

## 15. Loans and advances to customers continued

### Pledged assets - loans and advances to customers continued

2024 Group	Mortgages pledged £m	Held by third parties £m	Notes in issue <sup>1</sup>		Total £m
			Held by the Group pledged £m	Held by the Group unpledged £m	
Loans and advances to customers					
Covered bond programme - Coventry Building Society Covered Bonds LLP	6,912	2,873	1,346	4	4,223
Covered bond programme - Coventry Godiva Covered Bonds LLP	5,393	–	1,000	3,000	4,000
Securitisation programme - Economic Master Issuer plc	2,496	1,611	232	–	1,843
Whole mortgage loan pools <sup>2</sup>	4,495	–	2,075	2,420	4,495
<b>Total</b>	<b>19,296</b>	<b>4,484</b>	<b>4,653</b>	<b>5,424</b>	<b>14,561</b>

1. Notes in issue exclude Class Z securitisation notes (2025: £286 million, 2024: £314 million), which represent either the first loss tranche in the structure or a required liquidity reserve, and the Economic Master Issuer plc Sellers Notes (2025: £369 million, 2024: £405 million). All of these notes are held by the Group unpledged.

2. The whole mortgage loan pools are pre-positioned at the Bank of England. Pools are pledged to the Bank of England when drawings are made directly against the eligible collateral, for example, under TFSME, subject to a 'haircut' as defined by the Bank of England. The amounts under notes in issue are the outstanding balances of mortgages.

Mortgages pledged are not derecognised from the Group or Society Balance Sheets as the Group has retained substantially all the risks and rewards of ownership. No gain or loss has been recognised on pledging the mortgages to the programmes.

Notes in issue and held by third parties are included within debt securities in issue (note 25).

Notes in issue, held by the Group and pledged, include debt securities issued under the covered bond programmes and retained by the Group and whole mortgage loan pools, all pledged as collateral.

Notes in issue, held by the Group and unpledged, are other debt securities issued by the programmes to the Group, and mortgage loan pools that have been pre-positioned at the Bank of England but not utilised. These are held to provide collateral for potential future use in sale and repurchase agreements or central bank operations.

Notes in issue, and held by the Group, are not recognised on the Group or Society Balance Sheets, thus preventing inappropriate 'grossing up' of the Group and Society Balance Sheets.

### Covered bond programmes

The Group operates three covered bond programmes which it uses to provide security for issues of retained and externally issued covered bonds. Securities issued under the programmes are secured through certain mortgage loans of Coventry Building Society, Godiva Mortgages Limited or of The Co-operative Bank p.l.c., the Originators. The loans are retained on the Originators' Balance Sheets as they retain substantially all the risks and rewards relating to the loans.

At the reporting date, the Group has overcollateralised these programmes as set out in the table above to secure the ratings of the covered bonds and to provide operational flexibility. The Group maintains the overcollateralisation by adding loans to the loan portfolios throughout the period. From time to time, the obligation of the Group to provide collateral may increase due to the formal requirements of the covered bond programmes and the value of the collateral would depend upon conditions at that time. The Group may also voluntarily contribute collateral to support the covered bond ratings; no such contributions were made during 2025 or 2024. The Group undertakes various roles in these programmes, including acting as cash manager and servicer as well as acting as the bank account provider for Coventry Godiva Covered Bonds LLP (Godiva LLP) and Moorland Covered Bond LLP (MCB LLP).

#### Coventry Building Society Covered Bonds LLP

Coventry Building Society Covered Bonds LLP (CBS LLP) was established in 2008 and provides security for issued notes secured against certain loans of Coventry Building Society. As at 31 December 2025, the Society had £3,050 million (2024: £2,350 million) and €2,250 million (2024: €2,250 million) of covered bonds in issue, of which £1,350 million (2024: £1,350 million) were retained by the Group.

During the period, the Society voluntarily repurchased £105 million (2024: £129 million) of mortgages from CBS LLP to maintain the quality of the pool and minimise the overcollateralisation requirement.

#### Coventry Godiva Covered Bonds LLP

Coventry Godiva Covered Bonds LLP was established in 2020 and provides security for issued notes secured against certain mortgage loans of Godiva Mortgages Limited. As at 31 December 2025, the Society had £3,000 million (2024: £4,000 million) of covered bonds in issue of which all were retained by the Group.

During the period, the Society voluntarily repurchased £1,166 million (2024: £59 million) of mortgages from Godiva LLP to maintain the quality of the pool and minimise the overcollateralisation requirement.

# Notes to the accounts continued

## 15. Loans and advances to customers continued

### Pledged assets - loans and advances to customers continued

#### Moorland Covered Bonds LLP

Moorland Covered Bonds LLP was established in 2009 and provides security for issued notes secured against certain mortgage loans of the Bank. As at 31 December 2025, the Bank had £1,500 million of covered bonds in issue, of which £1,000 million were retained by the Group.

#### Securitisation

During the period, the Group operated one securitisation vehicle which it uses to obtain collateral and source funding through the internal and external issuances of listed debt securities secured through certain mortgage loans of Coventry Building Society, the Originator. The loans are retained on the Originator's Balance Sheet as it retains substantially all the risks and rewards relating to the loans. The Society undertakes various roles in these transactions, including acting as cash manager and servicer as well as acting as the bank account provider for Economic Master Issuer plc.

#### Economic Master Issuer PLC

Economic Master Issuer plc (EMI) was established in 2019 and has subsequently issued £2,950 million of listed debt securities secured against certain mortgage loans of Coventry Building Society. At 31 December 2025, there are no (2024: £232 million) notes retained by the Group and £1,730 million (2024: £1,611 million) are held by parties external to the Group. The Society retains a beneficial interest in the pool through its holding of the Sellers Note in the structure and its obligations in respect of this securitisation vehicle are limited to transferring cash flows from the underlying assets and maintaining its required minimum sellers share in accordance with the rules of programme.

The fair values of assets that have been pledged and their associated liabilities where recourse is limited to the underlying asset are presented in the table below:

	Fair value assets pledged 2025 £m	Fair value liabilities 2025 £m	Fair value net position 2025 £m	Fair value assets pledged 2024 £m	Fair value liabilities 2024 £m	Fair value net position 2024 £m
Securitisation programme - Economic Master Issuer plc	2,336	1,730	606	2,474	1,610	864

## 16. Impairment on loans and advances to customers

Under IFRS 9, impairment provisions or expected credit losses (ECLs) are required to be calculated on assets held at amortised cost and fair value through other comprehensive income. For the Group, this includes loans and advances to customers and undrawn commitments to lend (such as mortgage pipeline and undrawn credit cards balances). Expected credit loss provisions have been deducted from the associated asset values on the balance sheet. Further information on the credit quality of these loans is included in the Risk Management Report.

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
<b>Income statement</b>				
(Charge) / release for the year <sup>1</sup>	(20)	18	(2)	11
Net (write offs)/recoveries of amounts previously written off	(4)	—	—	—
<b>Total (charge)/ release to the Income Statement</b>	<b>(24)</b>	<b>18</b>	<b>(2)</b>	<b>11</b>

1. Included in the Group charge for the year in 2025 is £9 million reset Expected Credit Loss allowance for Bank acquired loans & advances to customers

The tables below shows gross loans and advances to customers, ECL provision and resulting coverage ratio split by IFRS 9 stage at 31 December 2025 and at 31 December 2024 for both the Group and Society. For loans in stages 2 and 3, or those classed as 'Purchased or Originated Credit Impaired' ('POCI'), further analysis of accounts which are past due and not past due is also presented.

# Notes to the accounts continued

## 16. Impairment on loans and advances to customers continued

Group	Stage 1	Stage 2 'Deteriorating'		Stage 3 'Default' and POCI		Total
	'Performing'	Not past due	Past due	Not past due	Past due	
As at 31 December 2025	£m	£m	£m	£m	£m	£m
<b>Gross balances</b>						
Retail secured	65,908	4,991	269	155	368	71,691
Retail unsecured	212	5	2	1	3	223
Business and commercial	959	33	–	22	–	1,014
<b>Total</b>	<b>67,079</b>	<b>5,029</b>	<b>271</b>	<b>178</b>	<b>371</b>	<b>72,928</b>
<b>ECL</b>						
Retail secured	6	10	2	4	10	32
Retail unsecured	2	1	–	–	2	5
Business and commercial	2	–	–	5	–	7
<b>Total</b>	<b>10</b>	<b>11</b>	<b>2</b>	<b>9</b>	<b>12</b>	<b>44</b>
<b>ECL coverage as a % of total balance</b>						
Retail secured	0.01	0.20	0.74	2.58	2.72	0.04
Retail unsecured	0.94	20.00	–	–	66.67	2.24
Business and commercial	0.21	–	–	22.73	–	0.69
<b>Total coverage</b>	<b>0.01</b>	<b>0.22</b>	<b>0.74</b>	<b>5.06</b>	<b>3.23</b>	<b>0.06</b>

Society	Stage 1	Stage 2 'Deteriorating'		Stage 3 'Default' and POCI		Total
	'Performing'	Not past due	Past due	Not past due	Past due	
As at 31 December 2025	£m	£m	£m	£m	£m	£m
<b>Gross balances</b>						
Retail secured	30,911	2,609	144	64	193	33,921
Retail unsecured	–	–	–	–	–	–
Business and commercial	–	–	–	–	–	–
<b>Total</b>	<b>30,911</b>	<b>2,609</b>	<b>144</b>	<b>64</b>	<b>193</b>	<b>33,921</b>
<b>ECL</b>						
Retail secured	1	3	1	3	5	13
Retail unsecured	–	–	–	–	–	–
Business and commercial	–	–	–	–	–	–
<b>Total</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>13</b>
<b>ECL coverage as a % of total balance</b>						
Retail secured	0.01	0.11	0.69	4.69	2.59	0.04
Retail unsecured	–	–	–	–	–	–
Business and commercial	–	–	–	–	–	–
<b>Total coverage</b>	<b>–</b>	<b>0.11</b>	<b>0.69</b>	<b>4.69</b>	<b>2.59</b>	<b>0.04</b>

# Notes to the accounts continued

## 16. Impairment on loans and advances to customers continued

Group	Stage 1	Stage 2 'Deteriorating'		Stage 3 'Default' and POCI		Total
	'Performing'	Not past due	Past due	Not past due	Past due	
As at 31 December 2024	£m	£m	£m	£m	£m	£m
<b>Gross balances</b>						
Retail secured	46,203	5,038	205	91	259	51,796
Retail unsecured	–	–	–	–	–	–
Business and commercial	–	–	–	–	–	–
<b>Total</b>	<b>46,203</b>	<b>5,038</b>	<b>205</b>	<b>91</b>	<b>259</b>	<b>51,796</b>
<b>ECL</b>						
Retail secured	2	10	1	5	6	24
Retail unsecured	–	–	–	–	–	–
Business and commercial	–	–	–	–	–	–
<b>Total</b>	<b>2</b>	<b>10</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>24</b>
<b>ECL coverage as a % of total balance</b>						
Retail secured	–	0.20	0.49	5.49	2.32	0.05
Retail unsecured	–	–	–	–	–	–
Business and commercial	–	–	–	–	–	–
<b>Total coverage</b>	<b>–</b>	<b>0.20</b>	<b>0.49</b>	<b>5.49</b>	<b>2.32</b>	<b>0.05</b>

Society	Stage 1	Stage 2 'Deteriorating'		Stage 3 'Default' and POCI		Total
	'Performing'	Not past due	Past due	Not past due	Past due	
As at 31 December 2024	£m	£m	£m	£m	£m	£m
<b>Gross balances</b>						
Retail secured	30,236	2,861	121	52	163	33,433
Retail unsecured	–	–	–	–	–	–
Business and commercial	–	–	–	–	–	–
<b>Total</b>	<b>30,236</b>	<b>2,861</b>	<b>121</b>	<b>52</b>	<b>163</b>	<b>33,433</b>
<b>ECL</b>						
Retail secured	2	3	–	3	3	11
Retail unsecured	–	–	–	–	–	–
Business and commercial	–	–	–	–	–	–
<b>Total</b>	<b>2</b>	<b>3</b>	<b>–</b>	<b>3</b>	<b>3</b>	<b>11</b>
<b>ECL coverage as a % of total balance</b>						
Retail secured	0.01	0.10	–	5.77	1.84	0.03
Retail unsecured	–	–	–	–	–	–
Business and commercial	–	–	–	–	–	–
<b>Total coverage</b>	<b>0.01</b>	<b>0.10</b>	<b>–</b>	<b>5.77</b>	<b>1.84</b>	<b>0.03</b>

Included within the Group ECL is £1 million (2024: £nil) associated with undrawn balances, primarily being mortgage pipeline and undrawn credit card balances.

The Group's lending strategy is predominately focused on high quality low-risk residential mortgages, reflected in the low loan to value of the mortgage book and low levels of arrears and possessions. As a result of the acquisition of the Bank, the Group now has two smaller portfolios of business & commercial and retail unsecured lending, which contribute less than 2% to the overall lending balances. At the reporting date 92% of loans are in stage 1 with 7% in stage 2 and 1% in stage 3 or POCI (31 December 2024: 89%, 10% and 1%). The proportion in stage 1 increased, and correspondingly the proportion in stage 2 decreased, during the year as a result of recognising the acquired Bank non-credit impaired loans in stage 1 at the date of acquisition.

Unless specified otherwise, further disclosure on the Group's impairment on loans and advances to customers is presented on a portfolio rather than entity basis as this best reflects the underlying risk.

# Notes to the accounts continued

## 16. Impairment on loans and advances to customers continued

The table below provides more analysis on the reason for presence within stage 2 under the Group's SICR criteria. Where a loan meets more than one of these criteria at the Balance Sheet date, it has been included in only one category, being the first which applied and led to its movement into stage 2:

Group	2025				2024			
	Retail secured £m	Retail unsecured £m	Business and commercial £m	Total £m	Retail secured £m	Retail unsecured £m	Business and commercial £m	Total £m
<b>Basis of stage 2 classification</b>								
<b>Gross balances</b>								
Quantitative criteria	1,346	3	18	1,367	1,182	–	–	1,182
Qualitative criteria	3,646	2	15	3,663	3,829	–	–	3,829
30 days past due backstop	268	2	–	270	232	–	–	232
<b>Total</b>	<b>5,260</b>	<b>7</b>	<b>33</b>	<b>5,300</b>	<b>5,243</b>	<b>–</b>	<b>–</b>	<b>5,243</b>
<b>ECL</b>								
Quantitative criteria	3	1	–	4	2	–	–	2
Qualitative criteria	9	–	–	9	9	–	–	9
30 days past due backstop	–	–	–	–	–	–	–	–
<b>Total</b>	<b>12</b>	<b>1</b>	<b>–</b>	<b>13</b>	<b>11</b>	<b>–</b>	<b>–</b>	<b>11</b>

Cure periods are applied to accounts in stages 2 and 3 which have hit certain quantitative triggers such as arrears. These cure periods delay transition of loans to a lower credit risk classification (i.e. from stage 3 to stage 2 or from stage 2 to stage 1) by requiring 12 months of sustained performance before a loan is reassessed. As a result, loans can be recorded in stage 2 or stage 3 despite otherwise performing at the reporting date.

See note 1 to the accounts for more information on the quantitative and qualitative SICR criteria applied for stage 2 allocation.

The table below provides more analysis on the reason for presence within stage 3 under the Group's definition of default criteria. Where a loan meets more than one of these criteria at the Balance Sheet date, it has been included in only one category, being the first which applied and led to its movement into stage 3 unless the exposure is no longer in default and is in a cure period:

Group	2025				2024			
	Retail secured £m	Retail unsecured £m	Business and commercial £m	Total £m	Retail secured £m	Retail unsecured £m	Business and commercial £m	Total £m
<b>Basis of stage 3 and POCI classification</b>								
Acquired impaired (POCI)	74	2	5	81	–	–	–	–
Qualitative criteria	117	–	–	117	93	–	–	93
90 days past due backstop	90	–	17	107	69	–	–	69
In cure period	242	2	–	244	188	–	–	188
<b>Total</b>	<b>523</b>	<b>4</b>	<b>22</b>	<b>549</b>	<b>350</b>	<b>–</b>	<b>–</b>	<b>350</b>
<b>ECL</b>								
Acquired impaired (POCI)	–	–	–	–	–	–	–	–
Qualitative criteria	2	–	–	2	1	–	–	1
90 days past due backstop	7	1	5	13	7	–	–	7
In cure period	5	1	–	6	3	–	–	3
<b>Total</b>	<b>14</b>	<b>2</b>	<b>5</b>	<b>21</b>	<b>11</b>	<b>–</b>	<b>–</b>	<b>11</b>

As at 31 December 2025, the number of properties in possession remained low. A total of £15 million of stage 3 and POCI loans are in possession (31 December 2024: £8 million), representing 67 individual properties (31 December 2024: 36 properties). In 2025, this includes possession cases in the acquired Bank portfolios.

# Notes to the accounts continued

## 16. Impairment on loans and advances to customers continued

### Application of judgemental adjustments

The table below presents the judgemental adjustments that have been recognised within the ECL provision outside of core modelled ECLs where the Group's models do not fully capture the associated risks of future credit loss.

	2025				2024			
	Retail secured £m	Retail unsecured £m	Business and commercial £m	Total £m	Retail secured £m	Retail unsecured £m	Business and commercial £m	Total £m
Core modelled ECL	26	5	6	37	18	–	–	18
Judgemental adjustments	6	–	1	7	6	–	–	6
<b>Total reported ECL</b>	<b>32</b>	<b>5</b>	<b>7</b>	<b>44</b>	<b>24</b>	<b>–</b>	<b>–</b>	<b>24</b>

At 31 December 2025, the Group held total judgemental adjustments of £7 million (2024: £6 million).

This includes a residual cost of living affordability PMA of £2 million (2024: £2 million), additional adjustments for negative equity accounts, which are identified through using automated valuation models (AVM), stale collateral valuations on corporate real estate exposures and fraud.

### Movements in gross exposure and ECL provision

A reconciliation of movements in gross exposures and ECL provision split by IFRS 9 stage from 1 January 2025 to 31 December 2025 is set out below for the Group and Society.

	Stage 1		Stage 2		Stage 3		Total	
	Gross balance £m	Provision 12 month ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision £m
<b>Group</b>								
At 1 January 2025	46,203	2	5,243	11	350	11	51,796	24
Loans recognised on acquisition	20,347	9	–	–	120	–	20,467	9
<b>Movements with Income Statement impact</b>								
Transfers from Stage 1 to Stage 2	(2,438)	(1)	2,438	4	–	–	–	3
Transfers from Stage 1 to Stage 3	(133)	–	–	–	133	11	–	11
Transfers from Stage 2 to Stage 3	–	–	(134)	–	134	–	–	–
Transfers from Stage 2 to Stage 2	–	–	46	1	(46)	(1)	–	–
Transfers from Stage 3 to Stage 1	12	–	–	–	(12)	–	–	–
Transfers from Stage 2 to Stage 1	1,753	–	(1,753)	(1)	–	–	–	(1)
<b>Net movement arising from transfer of stages</b>	<b>(806)</b>	<b>(1)</b>	<b>597</b>	<b>4</b>	<b>209</b>	<b>10</b>	<b>–</b>	<b>13</b>
New loans originated	10,529	5	24	–	–	–	10,553	5
Remeasurement of ECL due to changes in risk parameters	–	1	–	(1)	–	5	–	5
Increase/(decrease) in post model adjustments	–	–	–	–	–	–	–	–
Loans derecognised in the period	(6,823)	(3)	(463)	(1)	(118)	(2)	(7,404)	(6)
Net write offs	(2)	(3)	–	–	(3)	(3)	(5)	(6)
<b>Income Statement charge for the period</b>		<b>8</b>		<b>2</b>		<b>10</b>		<b>20</b>
Repayment and charges	(2,369)	–	(101)	–	(9)	–	(2,479)	–
<b>At 31 December 2025</b>	<b>67,079</b>	<b>10</b>	<b>5,300</b>	<b>13</b>	<b>549</b>	<b>21</b>	<b>72,928</b>	<b>44</b>

# Notes to the accounts continued

## 16. Impairment on loans and advances to customers continued

### Movements in gross exposure and ECL provision continued

Society	Stage 1		Stage 2		Stage 3 & POCI		Total	
	Gross balance £m	Provision 12 month ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision £m
At 1 January 2025	30,236	2	2,982	3	215	6	33,433	11
<b>Movements with Income Statement impact</b>								
Transfers from Stage 1 to Stage 2	(1,210)	–	1,210	1	–	–	–	1
Transfers from Stage 1 to Stage 3	(47)	–	–	–	47	1	–	1
Transfers from Stage 2 to Stage 3	–	–	(81)	–	81	–	–	–
Transfers from Stage 3 to Stage 2	–	–	27	–	(27)	–	–	–
Transfers from Stage 3 to Stage 1	8	–	–	–	(8)	–	–	–
Transfers from Stage 2 to Stage 1	1,025	–	(1,025)	–	–	–	–	–
<b>Net movement arising from transfer of stages</b>	(224)	–	131	1	93	1	–	2
New loans originated	5,103	1	16	–	–	–	5,119	1
Remeasurement of ECL due to changes in risk parameters	–	(1)	–	–	–	2	–	1
Increase/(decrease) in post model adjustments	–	–	–	–	–	–	–	–
Loans derecognised in the period	(2,649)	(1)	(286)	–	(45)	(1)	(2,980)	(2)
Net write offs	–	–	–	–	–	–	–	–
<b>Income Statement charge for the period</b>		(1)		1		2	–	2
Repayment and charges	(1,555)	–	(90)	–	(6)	–	(1,651)	–
<b>At 31 December 2025</b>	<b>30,911</b>	<b>1</b>	<b>2,753</b>	<b>4</b>	<b>257</b>	<b>8</b>	<b>33,921</b>	<b>13</b>

# Notes to the accounts continued

## 16. Impairment on loans and advances to customers continued

### Movements in gross exposure and ECL provision continued

A reconciliation of movements in gross exposures and impairment provision split by IFRS 9 stage from 1 January 2024 to 31 December 2024 is set out in the following table for the Group and Society.

Group	Stage 1		Stage 2		Stage 3 & POCI		Total	
	Gross balance £m	Provision 12 month ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision £m
At 1 January 2024	42,720	2	7,319	29	268	11	50,307	42
<b>Movements with Income Statement impact</b>								
Transfers from Stage 1 to Stage 2	(2,193)	–	2,193	2	–	–	–	2
Transfers from Stage 1 to Stage 3	(71)	–	–	–	71	1	–	1
Transfers from Stage 2 to Stage 3	–	–	(134)	(1)	134	1	–	–
Transfers from Stage 3 to Stage 2	–	–	29	–	(29)	–	–	–
Transfers from Stage 3 to Stage 1	9	–	–	–	(9)	–	–	–
Transfers from Stage 2 to Stage 1	3,592	–	(3,592)	(1)	–	–	–	(1)
<b>Net movement arising from transfer of stages</b>	1,337	–	(1,504)	–	167	2	–	2
New loans originated	7,057	2	17	–	–	–	7,074	2
Remeasurement of ECL due to changes in risk parameters	–	(1)	–	(1)	–	2	–	–
Increase/(decrease) in post model adjustments	–	–	–	(16)	–	(2)	–	(18)
Loans derecognised in the period	(3,084)	(1)	(481)	(1)	(77)	(1)	(3,642)	(3)
Net write offs	–	–	–	–	(1)	(1)	(1)	(1)
<b>Income Statement charge for the period</b>		–		(18)		–		(18)
Repayment and charges	(1,827)	–	(108)	–	(7)	–	(1,942)	–
<b>At 31 December 2024</b>	<b>46,203</b>	<b>2</b>	<b>5,243</b>	<b>11</b>	<b>350</b>	<b>11</b>	<b>51,796</b>	<b>24</b>

# Notes to the accounts continued

## 16. Impairment on loans and advances to customers continued

### Movements in gross exposure and ECL provision continued

Society	Stage 1		Stage 2		Stage 3		Total	
	Gross balance £m	Provision 12 month ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision £m
At 1 January 2024	27,383	1	4,456	15	161	6	32,000	22
<b>Movements with Income Statement impact</b>								
Transfers from Stage 1 to Stage 2	(1,297)	–	1,297	1	–	–	–	1
Transfers from Stage 1 to Stage 3	(41)	–	–	–	41	1	–	1
Transfers from Stage 2 to Stage 3	–	–	(82)	–	82	–	–	–
Transfers from Stage 3 to Stage 2	–	–	19	–	(19)	–	–	–
Transfers from Stage 3 to Stage 1	6	–	–	–	(6)	–	–	–
Transfers from Stage 2 to Stage 1	2,288	–	(2,288)	(1)	–	–	–	(1)
<b>Net movement arising from transfer of stages</b>	956	–	(1,054)	–	98	1	–	1
New loans originated	5,510	2	12	–	–	–	5,522	2
Remeasurement of ECL due to changes in risk parameters	–	–	–	–	–	1	–	–
Increase/(decrease) in post model adjustments	–	–	–	(11)	–	(1)	–	(12)
Loans derecognised in the period	(2,045)	(1)	(336)	–	(39)	–	(2,420)	(1)
Net write offs	–	–	–	–	(1)	(1)	(1)	(1)
<b>Income Statement charge for the period</b>		1		(12)		–		(11)
Repayment and charges	(1,568)	–	(96)	–	(4)	–	(1,668)	–
At 31 December 2024	30,236	2	2,982	3	215	6	33,433	11

### Forward-looking information incorporated in the ECL models

#### Formulation of economic scenarios and governance

The economic scenarios used by the Group reflect management's best estimate of the future economic conditions under a range of scenarios, including a weighting reflecting the loss distribution on the occurrence of each scenario.

The assumptions in each of the four (2024: four) scenarios evolve, reflecting latest expectations with the base scenario representing the most likely outcome, complemented by one upside and two downside scenarios based on potential economic developments. These alternative scenarios are built using management judgement and are calibrated to statistical views of economic cycles ranging from periods of five to ten years from the beginning of an overall expansion phase to the end of the contraction phase and the beginning of the next initial recovery phase. Available data from the last 50 years has been analysed to draw out the normal range through to extreme outcomes that could be expected to be observed. Outside of these extreme outcomes, the severe downside scenario is based on a deliberately extreme case used for stress testing, the severity of which has not been experienced in the last 50 years.

Beyond the five year forecast horizon which aligns to the Strategic Plan period, long-term averages for each economic assumption variable are used. The severe downside scenario transitions to the long-term average level over a period of ten years, reflecting the negativity of the scenario. The other three scenarios transition over a five year period. These long-term averages hold true throughout various financial and economic crises, and are therefore used until the end of the 35 year forecast.

Scenarios and accompanying weightings are determined following analysis of economic news, forecasts, peer benchmarking, scientific developments and results. By their nature, a significant degree of estimation is involved in determining the scenario weightings.

# Notes to the accounts continued

## 16. Impairment on loans and advances to customers continued

### Forward-looking information incorporated in the ECL models continued

#### Formulation of economic scenarios and governance continued

These scenarios and weightings are developed within the Group's Treasury function and are reviewed and approved quarterly by the Asset and Liability Committee with further approval at reporting periods by the Board Audit Committee.

#### Current year scenarios and weightings

During the year, the weightings for each scenario were reviewed, resulting in a small rebalancing between the base and upside scenarios. The weightings used at the year end reflect the Group's view of the range of potential future economic conditions at the Balance Sheet date. An explanation of each scenario and its relative weighting in calculating ECL is set out below:

Scenario	Weighting	
	2025	2024
<b>Base</b>		
The central scenario used to support the business planning of the Group. Unemployment remains elevated for a while following restrictive monetary policy, with GDP growth remaining steady. Whilst domestic inflationary pressures take longer to unwind than they did to emerge, CPI is expected to return close to the 2% target in the near term, allowing bank rate to decrease. This easing of conditions supports house prices which return to modest growth.	50%	55%
<b>Downside</b>		
Inflation rebounds following renewed geopolitical tensions, and the Bank of England increases interest rates again to contain it. There is an economic contraction resulting from further cost of living deterioration which drives up unemployment, and house prices weaken considerably. Inflation returns to target within the first 5 years and monetary policy begins to ease.	25%	25%
<b>Severe downside</b>		
Following the Bank of England's Bank Capital Stress Test, in which deep simultaneous recessions in the UK and global economies sees large falls in asset prices and higher global interest rates. GDP contracts 5% as unemployment reaches 8.5%. Bank rate rises to 8% to tackle inflation of 10% and house prices consequently fall 28%.	10%	10%
<b>Upside</b>		
Inflation dissipates and unemployment reduces, underpinning robust economic growth and rising house prices. The Bank of England lowers bank rate further in response to the easing inflation environment.	15%	10%

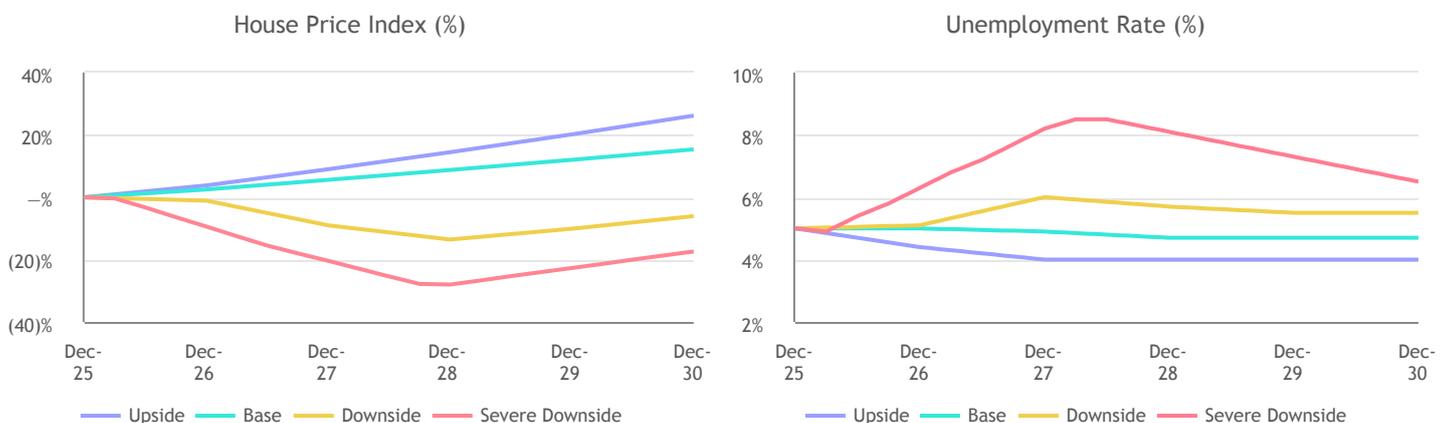
#### Macroeconomic assumptions

The Group's ECL calculation incorporates four key economic assumptions: unemployment rate, house price index (HPI), GDP and the Bank of England Base Rate. While all feed into the economic forecasts and impact the final ECL provision, the models are particularly sensitive to changes in the following assumptions in each scenario:

- Unemployment rate, given its impact on borrowers' ability to meet their loan repayments.
- HPI, given the significant impact it has on mortgage collateral valuations.

Inflation impacts are also reflected within all four scenarios as the effect has become embedded within economic forecasts.

The following graphs show these two key economic assumptions used in the scenarios over a five year forecast period:



# Notes to the accounts continued

## 16. Impairment on loans and advances to customers continued

### Forward-looking information incorporated in the ECL models continued

#### Key economic assumptions as at 31 December 2025

While the Group's ECL calculation is particularly sensitive to unemployment and HPI movements, GDP and the Bank of England Base Rate remain key drivers of the provision calculation and the forward economic outlook. The rates applied to all key measures are shown below for the five year forecast period:

Scenario/ weighting		2026 %	2027 %	2028 %	2029 %	2030 %	Peak to trough %	Range %	Average to 31 Dec 2030 %
Base 50%	Unemployment	5.2	5.3	5.1	4.9	4.9	0.6	4.7 - 5.3	4.9
	HPI	2.5	3.0	3.0	3.0	3.0	15.2	0.2 - 15.4	2.9
	GDP	1.4	1.5	1.5	1.5	1.5	7.5	0.1 - 7.6	1.5
	Base Rate	3.25	3.25	3.25	3.25	3.25	0.50	3.25 - 3.75	3.3
Downside 25%	Unemployment	5.5	6.0	5.7	5.5	5.5	1.0	5.0 - 6.0	5.5
	HPI	(1.1)	(8.0)	(5.0)	4.0	4.5	13.5	(13.6) - (0.1)	(1.2)
	GDP	0.0	(0.9)	1.4	1.4	1.5	4.3	(0.9) - 3.4	0.7
	Base Rate	5.00	5.25	4.50	4.00	4.00	1.50	3.75 - 5.25	4.5
Severe downside 10%	Unemployment	6.3	8.2	8.1	7.3	6.5	3.6	4.9 - 8.5	7.1
	HPI	(9.4)	(12.1)	(9.5)	7.4	6.9	27.9	(28.0) - (0.1)	(3.8)
	GDP	(4.3)	0.0	1.4	1.4	1.4	4.9	(5.0) - (0.1)	(0.1)
	Base Rate	8.00	6.75	5.25	4.00	3.00	5.00	3.00 - 8.00	5.6
Upside 15%	Unemployment	4.4	4.0	4.0	4.0	4.0	1.0	4.0 - 5.0	4.2
	HPI	3.8	5.0	5.0	5.0	5.0	25.9	0.3 - 26.2	4.8
	GDP	2.0	2.5	2.5	2.5	2.5	12.4	0.2 - 12.6	2.4
	Base Rate	3.25	2.75	2.75	2.75	2.75	1.00	2.75 - 3.75	2.9

1. HPI change and GDP change average to 31 December 2030 are shown as the annual compound growth rates.

A significant degree of estimation relates to the relative weightings of the scenarios, incorporating different views of the house price index and the unemployment rate as indicated above. In order to demonstrate this sensitivity, the impact of applying 100% of a particular scenario on the reported IFRS 9 ECL provision is shown below. For example, if the provision was wholly calculated on the base scenario, it would decrease by £11 million, or 25% (2024: £6 million, 25%) compared with the reported provision. If a 100% weighting was attributed to the severe downside scenario, ECLs would increase by £51 million or 116% (2024: £22 million, 92%).

Group	31 December 2025		31 December 2024	
	IFRS 9 provision £m	(Decrease)/ increase %	IFRS 9 provision £m	(Decrease)/ increase %
IFRS 9 weighted average	44	—	24	—
Base scenario	33	(25)	18	(25)
Downside scenario	53	21	32	33
Severe downside scenario	95	116	46	92
Upside scenario	30	(32)	16	(33)

The above sensitivities are presented on a Group basis, as the retail secured portfolio, which is the majority of the balance, is the driver of the sensitivity impact.

The ECL calculated above for 100% of each scenario multiplied by the scenario probability will not reconcile to the overall provision. This is due to the staging of loans within each scenario varying, but being allocated to a single stage in the overall provision calculation and having a weighted average 12 month or lifetime PD applied taking into account the economic scenarios. The probability weighted ECL is then calculated based on this staging allocation. The estimated ECL provision is determined using an uplift to account for non-linearity in modelling of unemployment rates beyond 8.5%.

# Notes to the accounts continued

## 16. Impairment on loans and advances to customers continued

### Forward-looking information incorporated in the ECL models continued

#### Sensitivity assessment

As at 31 December 2025, a decrease to the annual HPI assumption by 10% combined with an increase in the unemployment rate assumption of 10% throughout the forecast period would have the impact of increasing the core modelled ECL provision by £15 million from £44 million to £59 million. This is driven by the retail secured portfolio, representing the majority of the overall lending assets.

Group	2025				2024			
	Retail secured £m	Retail unsecured £m	Business and commercial £m	Total £m	Retail secured £m	Retail unsecured £m	Business and commercial £m	Total £m
<b>Sensitivity impacts on ECL</b>								
Underlying ECL	32	5	7	44	24	–	–	24
Sensitised ECL	47	5	7	59	43	–	–	43
Difference	15	–	–	15	19	–	–	19

In practise, multi-factor sensitivities such as the above have limitations; the impacts of the above might be reasonably modified by the application (or removal) of judgemental adjustments by management.

#### Other credit risk information

This section provides further information of the Group's lending assets at a portfolio level, which best reflects the underlying risk of the portfolio. Additional information relating to the credit risk profile of the Group's lending portfolios, is also included in the credit risk section of the Risk Management Report.

#### Retail secured

A reconciliation of movements in gross balances and ECL provision for the Group retail secured portfolio split by IFRS 9 stage from 1 January 2025 to 31 December 2025 is set out below. For the 2024 Group movement, please refer to the total Group table on page 160 as in 2024 the Group only had retail secured exposures. For the equivalent Society disclosure, please refer to the Society tables included in the wider loans and advances to customers reconciliation tables disclosed earlier in this note, as the Society only has retail secured exposures.

Group	Stage 1		Stage 2		Stage 3 & POCI		Total	
	Gross balance £m	Provision 12 month ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision £m
At 1 January 2025	46,203	2	5,243	11	350	11	51,796	24
Loans recognised on acquisition	19,135	5	–	–	101	–	19,236	5
<b>Movements with Income Statement impact</b>								
Transfers from Stage 1 to Stage 2	(2,398)	(1)	2,398	3	–	–	–	2
Transfers from Stage 1 to Stage 3	(114)	–	–	–	114	3	–	3
Transfers from Stage 2 to Stage 3	–	–	(134)	–	134	–	–	–
Transfers from Stage 3 to Stage 2	–	–	46	1	(46)	(1)	–	–
Transfers from Stage 3 to Stage 1	12	–	–	–	(12)	–	–	–
Transfers from Stage 2 to Stage 1	1,753	–	(1,753)	(1)	–	–	–	(1)
<b>Net movement arising from transfer of stages</b>	(747)	(1)	557	3	190	2	–	4
New loans originated	10,315	3	24	–	–	–	10,339	3
Remeasurement of ECL due to changes in risk parameters	–	–	–	(1)	–	3	–	2
Loans derecognised in the period	(6,715)	(2)	(463)	(1)	(110)	(2)	(7,288)	(5)
Net write offs	–	(1)	–	–	–	–	–	(1)
<b>Income Statement charge for the period</b>		4		1		3		8
Repayment and charges	(2,283)	–	(101)	–	(8)	–	(2,392)	–
<b>At 31 December 2025</b>	<b>65,908</b>	<b>6</b>	<b>5,260</b>	<b>12</b>	<b>523</b>	<b>14</b>	<b>71,691</b>	<b>32</b>

# Notes to the accounts continued

## 16. Impairment on loans and advances to customers continued

### Other credit risk information continued

#### Retail secured continued

The Group updates its security values using the Nationwide Building Society quarterly regional HPI. Part of the risk assessment of the portfolio also includes an initial individual revaluation of security using automated valuation model (AVM) values.

The LTV distribution of the Group retail secured book by IFRS 9 stage widened slightly during 2025, with 85% of the mortgage book having an LTV of 75% or lower (2024: 88%). The slight increase in the higher LTV bandings was driven primarily by the acquisition of the Bank. However, the overall average LTV (balance weighted) of the book remained stable at 55% (2024: 54%) during the year. This is shown by IFRS 9 stage below:

As at 31 December 2025 Indexed loan to value	Stage 1 £m	Stage 2 £m	Stage 3 & POCI £m	Total £m	ECL £m
<50%	26,208	836	211	27,255	5
50% to 65%	19,734	1,882	158	21,774	6
65% to 75%	10,099	1,734	84	11,917	6
75% to 85%	6,478	614	42	7,134	6
85% to 95%	3,313	189	21	3,523	6
95% to 100%	61	1	—	62	—
> 100%	15	4	7	26	3
<b>Total</b>	<b>65,908</b>	<b>5,260</b>	<b>523</b>	<b>71,691</b>	<b>32</b>

As at 31 December 2024 Indexed loan to value	Stage 1 £m	Stage 2 £m	Stage 3 & POCI £m	Total £m	ECL £m
<50%	20,028	723	140	20,891	2
50% to 65%	14,474	1,930	115	16,519	8
65% to 75%	6,175	1,761	57	7,993	5
75% to 85%	3,614	665	24	4,303	4
85% to 95%	1,887	161	9	2,057	3
95% to 100%	25	2	1	28	—
> 100%	—	1	4	5	2
<b>Total</b>	<b>46,203</b>	<b>5,243</b>	<b>350</b>	<b>51,796</b>	<b>24</b>

Society Indexed loan to value	2025					2024				
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	ECL £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	ECL £m
<50%	13,422	495	102	14,019	1	13,618	471	87	14,176	1
50% to 65%	8,108	810	71	8,989	2	7,623	877	64	8,564	2
65% to 75%	4,065	836	35	4,936	2	3,876	887	33	4,796	2
75% to 85%	3,283	477	27	3,787	4	3,208	585	21	3,814	4
85% to 95%	2,006	134	19	2,159	2	1,886	160	8	2,054	2
95% to 100%	27	1	—	28	—	25	2	1	28	—
> 100%	—	—	3	3	2	—	—	1	1	—
<b>Total</b>	<b>30,911</b>	<b>2,753</b>	<b>257</b>	<b>33,921</b>	<b>13</b>	<b>30,236</b>	<b>2,982</b>	<b>215</b>	<b>33,433</b>	<b>11</b>

The credit quality of the Group retail secured book remains high, and performance continues to be strong.

# Notes to the accounts continued

## 16. Impairment on loans and advances to customers continued

### Other credit risk information continued

#### Retail secured continued

The table below analyses the credit risk exposure by probability of default (PD) of retail secured mortgages. All PDs are calculated using the Internal Ratings Based (IRB) approach under CRD IV (12-month PDs). Further information on SICR criteria and the differences between the IFRS 9 ECL calculation and regulatory expected losses can be found in note 1 to the accounts.

Group As at 31 December 2025 Risk grades	Gross balance Stage 1 £m	Gross balance Stage 2 £m	Gross balance Stage 3 & POCI <sup>2</sup> £m	Total £m	ECL £m
0.0 to <0.25%	34,282	621	4	34,907	1
0.25 to <0.75%	27,096	2,106	7	29,209	4
0.75 to <2.50%	3,483	969	6	4,458	4
2.50 to <10.00%	830	887	3	1,720	1
10.00 to <100%	88	646	22	756	3
100% (default)	—	—	477	477	14
Other <sup>1</sup>	129	31	4	164	5
<b>Total</b>	<b>65,908</b>	<b>5,260</b>	<b>523</b>	<b>71,691</b>	<b>32</b>

Society As at 31 December 2025 Risk grades	Gross balance Stage 1 £m	Gross balance Stage 2 £m	Gross balance Stage 3 & POCI <sup>2</sup> £m	Total £m	ECL £m
0.0 to <0.25%	17,944	379	—	18,323	—
0.25 to <0.75%	11,564	1,163	—	12,727	2
0.75 to <2.50%	1,062	475	—	1,537	1
2.50 to <10.00%	311	436	—	747	1
10.00 to <100%	11	298	—	309	1
100% (default)	—	—	257	257	7
Other <sup>1</sup>	19	2	—	21	1
<b>Total</b>	<b>30,911</b>	<b>2,753</b>	<b>257</b>	<b>33,921</b>	<b>13</b>

Group As at 31 December 2024 Risk grades	Gross balance Stage 1 £m	Gross balance Stage 2 £m	Gross balance Stage 3 & POCI <sup>2</sup> £m	Total £m	ECL £m
0.0 to <0.25%	26,378	745	—	27,123	1
0.25 to <0.75%	17,196	2,278	—	19,474	3
0.75 to <2.50%	1,846	843	—	2,689	1
2.50 to <10.00%	617	842	—	1,459	1
10.00 to <100%	22	503	—	525	1
100% (default)	—	—	345	345	10
Other <sup>1</sup>	144	32	5	181	7
<b>Total</b>	<b>46,203</b>	<b>5,243</b>	<b>350</b>	<b>51,796</b>	<b>24</b>

Society As at 31 December 2024 Risk grades	Gross balance Stage 1 £m	Gross balance Stage 2 £m	Gross balance Stage 3 & POCI <sup>2</sup> £m	Total £m	ECL £m
0.0 to <0.25%	18,122	476	—	18,598	—
0.25 to <0.75%	10,874	1,349	—	12,223	2
0.75 to <2.50%	943	479	—	1,422	1
2.50 to <10.00%	271	430	—	701	1
10.00 to <100%	5	245	—	250	1
100% (default)	—	—	215	215	5
Other <sup>1</sup>	21	3	—	24	1
<b>Total</b>	<b>30,236</b>	<b>2,982</b>	<b>215</b>	<b>33,433</b>	<b>11</b>

1. Other includes equity release mortgages and other loans where credit risk is assessed using alternative calculation methods and their respective ECLs or where ECLs are not directly attributable to underlying accounts and therefore are not allocated across risk grades or to default.
2. Stage 3 and POCI balances with PDs <100% relate to POCI accounts that have cured, but remain classed as POCI.

# Notes to the accounts continued

## 16. Impairment on loans and advances to customers continued

### Other credit risk information continued

In the following retail unsecured portfolio disclosures, no comparative information has been disclosed as this portfolio was acquired on 1 January 2025. No Society-specific disclosures have been provided as the portfolio sits solely within The Co-operative Bank p.l.c.

#### Retail unsecured

A reconciliation of movements in gross balances and ECL provision for the retail unsecured portfolio split by IFRS 9 stage from 1 January 2025 to 31 December 2025 is set out below for the Group:

Group	Stage 1		Stage 2		Stage 3 & POCI		Total	
	Gross balance £m	Provision 12 month ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision £m
At 1 January 2025	–	–	–	–	–	–	–	–
Loans recognised on acquisition	226	2	–	–	4	–	230	2
<b>Movements with Income Statement impact</b>								
Transfers from Stage 1 to Stage 2	(7)	–	7	1	–	–	–	1
Transfers from Stage 1 to Stage 3	(3)	–	–	–	3	2	–	2
<b>Net movement arising from transfer of stages</b>	<b>(10)</b>	<b>–</b>	<b>7</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>–</b>	<b>3</b>
New loans originated	9	1	–	–	–	–	9	1
Remeasurement of ECL due to changes in risk parameters	–	1	–	–	–	2	–	3
Loans derecognised in the period	(8)	–	–	–	–	–	(8)	–
Net write offs	(2)	(2)	–	–	(2)	(2)	(4)	(4)
<b>Income Statement charge for the period</b>		<b>2</b>		<b>1</b>		<b>2</b>		<b>5</b>
Repayment and charges	(3)	–	–	–	(1)	–	(4)	–
<b>At 31 December 2025</b>	<b>212</b>	<b>2</b>	<b>7</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>223</b>	<b>5</b>

The table below analyses the credit risk exposure by PD of retail unsecured products. All PDs are calculated using the Internal Ratings Based (IRB) approach under CRD IV (12-month PDs). The majority of the book has a PD of less than 0.75%.

Group As at 31 December 2025 Risk grades	Gross balance Stage 1 £m	Gross balance Stage 2 £m	Gross balance Stage 3 & POCI £m	Total £m	ECL £m
0.0 to <0.15%	25	–	–	25	–
0.15 to <0.25%	44	–	–	44	–
0.25 to <0.50%	38	–	–	38	–
0.50 to <0.75%	1	–	–	1	–
0.75 to <2.50%	26	–	–	26	–
2.50 to <10.00%	38	1	–	39	1
10.00 to <100%	40	6	–	46	2
100% (default)	–	–	4	4	2
<b>Total</b>	<b>212</b>	<b>7</b>	<b>4</b>	<b>223</b>	<b>5</b>

# Notes to the accounts continued

## 16. Impairment on loans and advances to customers continued

### Other credit risk information continued

#### Business and commercial lending

A reconciliation of movements in gross balances and ECL provision for the business and commercial portfolio split by IFRS 9 stage from 1 January 2025 to 31 December 2025 is set out below for the Group. No comparative information has been presented as this portfolio was acquired by the Group on 1 January 2025.

Group	Stage 1		Stage 2		Stage 3 & POCI		Total	
	Gross balance £m	Provision 12 month ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision £m
At 1 January 2025	–	–	–	–	–	–	–	–
Loans recognised on acquisition	986	2	–	–	15	–	1,001	2
<b>Movements with Income Statement impact</b>								
Transfers from Stage 1 to Stage 2	(33)	–	33	–	–	–	–	–
Transfers from Stage 1 to Stage 3	(16)	–	–	–	16	6	–	6
<b>Net movement arising from transfer of stages</b>	<b>(49)</b>	<b>–</b>	<b>33</b>	<b>–</b>	<b>16</b>	<b>6</b>	<b>–</b>	<b>6</b>
New loans originated	205	1	–	–	–	–	205	1
Remeasurement of ECL due to changes in risk parameters	–	–	–	–	–	–	–	–
Loans derecognised in the period	(100)	(1)	–	–	(8)	–	(108)	(1)
Net write offs	–	–	–	–	(1)	(1)	(1)	(1)
<b>Income Statement charge for the period</b>		<b>2</b>		<b>–</b>		<b>5</b>		<b>7</b>
Repayment and charges	(83)	–	–	–	–	–	(83)	–
<b>At 31 December 2025</b>	<b>959</b>	<b>2</b>	<b>33</b>	<b>–</b>	<b>22</b>	<b>5</b>	<b>1,014</b>	<b>7</b>

The table below analyses the credit risk exposure by regulatory slotting credit grade of loans to business and commercial customers.

Group As at 31 December 2025	Gross balance Stage 1 £m	Gross balance Stage 2 £m	Gross balance Stage 3 & POCI £m	Total £m	ECL £m
Risk grades					
Strong	275	–	–	275	–
Good	231	3	–	234	1
Satisfactory	13	15	–	28	–
Weak	2	1	1	4	–
Default	2	–	19	21	5
Other	436	14	2	452	1
<b>Total</b>	<b>959</b>	<b>33</b>	<b>22</b>	<b>1,014</b>	<b>7</b>

# Notes to the accounts continued

## 17. Taxation

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
<b>Current tax</b>				
UK corporation tax	26	72	(21)	37
UK corporation tax - adjustment in respect of prior years	(1)	32	(1)	32
<b>Total current tax charge / (credit)</b>	<b>25</b>	<b>104</b>	<b>(22)</b>	<b>69</b>
<b>Deferred tax</b>				
Current year	(34)	4	(2)	4
Adjustment in respect of prior years	(2)	(32)	(2)	(30)
<b>Total deferred tax credit</b>	<b>(36)</b>	<b>(28)</b>	<b>(4)</b>	<b>(26)</b>
<b>Total (credit) / charge</b>	<b>(11)</b>	<b>76</b>	<b>(26)</b>	<b>43</b>

A reconciliation between the actual tax credit (2024: charge) and tax that would be due if the UK standard corporation tax rate of 25% (2024: 25%) was applied to the profit before tax without adjustment is as follows:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
<b>Profit before tax (PBT)</b>	<b>801</b>	<b>323</b>	<b>9</b>	<b>186</b>
Tax at UK standard rate of corporation tax on PBT of 25%	200	81	2	46
Surcharge on banking profits <sup>1</sup>	–	1	–	1
Tax credit on Additional Tier 1 capital distribution <sup>2</sup>	(15)	(12)	(15)	(12)
Expenses/income not deductible for tax purposes <sup>3</sup>	4	6	(10)	6
Gain on acquisition	(146)	–	–	–
Recognition of deferred tax asset in relation to tax losses	(46)	–	–	–
Utilisation of unrecognised deferred tax assets	(2)	–	–	–
Deferred tax arising from surcharge rate	(3)	–	–	–
Adjustments in respect of prior years	(3)	–	(3)	2
<b>Total (credit)/ charge</b>	<b>(11)</b>	<b>76</b>	<b>(26)</b>	<b>43</b>

1. Banking companies and building societies are required to pay a surcharge of 3% on their taxable profits in addition to the main rate of corporation tax, subject to an annual allowance of £100 million. The Society and its subsidiary The Co-operative Bank p.l.c. are subject to the surcharge.

2. The Society's AT 1 capital instrument is categorised as a Hybrid Capital Instrument (HCI) and is taxable under the HCI regime. Under the HCI regime, the distributions made to holders of the Society's AT 1 instruments are deductible for tax purposes.

3. Some business expenses, or income, although entirely appropriate for inclusion in the Group's accounts, are not allowed as a deduction against taxable income when calculating the tax liability. Examples of these expenses include transaction costs and depreciation on assets not qualifying for capital allowances.

The Group has an effective tax rate for the year of minus 1.4% (2024: 23.6%). The effective tax rates are below the UK standard corporation tax rate largely due to the accounting gain on acquisition recognised in the year, which is not subject to taxation in individual entities within the Group as it arose only on consolidation. The tax credit in relation to distributions to holders of the Society's AT 1 instrument of £15 million (2024: £12 million) and deferred tax asset recognition in relation to tax losses of £46 million (2024: £nil) also contribute to a lower effective tax rate than the UK standard rate.

The Society has an effective tax rate for the year of minus 288.9% (2024: 23.1%). This rate is below (2024: below) the UK standard corporation tax rate primarily due to the tax credit in relation to distributions to holders of the Society's AT 1 instrument of £15 million (2024: £12 million), and a further tax credit of £10 million (2024: £6 million charge) for expenses/income not deductible for tax purposes.

With a UK corporation tax rate of 25% alongside the Bank Corporation Tax Surcharge of 3% (chargeable on banking profits in excess of £100 million), the combined rate of tax on banking profits in excess of £100 million is 28%. Deferred tax assets and liabilities at 31 December 2025 have been calculated on these rates, reflecting the expected timing of reversal of the related timing differences.

The Group is liable to pay a domestic top-up tax for the difference between its global anti-base erosion effective tax rate in the UK and the 15% minimum rate as a result of the UK Government enacting Pillar 2 legislation. There is also a temporary exception in place regarding the accounting for forward-looking deferred taxes on application of the Pillar 2 rules. The Group has assessed the impact of the legislation with support from its tax advisers and it is not subject to a top-up tax and does not expect an impact on current or deferred taxes.

The Group publishes its tax strategy on the website at [www.thecoventry.co.uk](http://www.thecoventry.co.uk).

Further information on the Group's deferred tax position is disclosed in note 23.

# Notes to the accounts continued

## 17. Taxation continued

Tax on items reported through the Statements of Comprehensive Income is as follows:

Statements of Comprehensive Income	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Tax credit on remeasurement of defined benefit pension plan	(1)	(2)	(1)	(2)
Tax credit on fair value through other comprehensive income	–	(1)	–	(1)
Tax credit on cash flow hedges	(36)	(16)	(24)	(27)
<b>Total</b>	<b>(37)</b>	<b>(19)</b>	<b>(25)</b>	<b>(30)</b>

## 18. Investment in Group undertakings

Society	Shares £m	Loans £m	Total £m
At 1 January 2025	8	17,583	17,591
Movements	745	1,126	1,871
<b>At 31 December 2025</b>	<b>753</b>	<b>18,709</b>	<b>19,462</b>

The Society has the following consolidated subsidiary undertakings, all of which operate in the United Kingdom.

Active subsidiary undertakings	Address reference	Principal activity	Group shareholding
Godiva Mortgages Limited	1	Mortgage lending	100%
ITL Mortgages Limited	1	Mortgage lending	100%
The Co-operative Bank Holdings p.l.c.	2	Intermediary holding company	100%
The Co-operative Bank Finance p.l.c.	2	Intermediary holding company	100%
The Co-operative Bank p.l.c.	2	Provider of banking operations	100%
Mortgage Agency Services Number One Ltd	2	Former mortgage and syndicated lending	100%
Mortgage Agency Services Number Two Ltd	2	Former mortgage lending	100%
Mortgage Agency Services Number Four Ltd	2	Former mortgage lending	100%
Mortgage Agency Services Number Five Ltd	2	Former mortgage lending	100%
Mortgage Agency Services Number Six Ltd	2	Former mortgage lending	100%
Platform Funding Ltd	2	Former mortgage lending	100%
Second Roodhill Leasing Ltd	2	Inactive	100%
Third Roodhill Leasing Ltd	2	Inactive	100%
Fourth Roodhill Leasing Ltd	2	Inactive	100%
Co-operative Bank Financial Advisers Ltd	2	Inactive	100%
Britannia Pension Trustees Ltd	2	Dormant	100%
BPS Principal Employer Ltd	2	Dormant	100%
The Co-operative Bank Pension Trust Ltd	2	Dormant	100%
Britannia New Homes (Scotland) Ltd	5	Dormant	50%

### Consolidated structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are consolidated when the substance of the relationship indicates control in accordance with the accounting policy set out in note 1.

The following structured entities are consolidated into the Group financial statements:

Consolidated structured entities	Address reference	Principal activity
Coventry Building Society Covered Bonds LLP	3	Mortgage acquisition and guarantor of covered bonds
Coventry Godiva Covered Bonds LLP	3	Mortgage acquisition and guarantor of covered bonds
Economic Master Issuer plc	4	Funding vehicle
Moorland Covered Bonds LLP	2	Mortgage acquisition and guarantor of covered bonds

The nature and risks associated with the Society's investments in these entities (including obligations of financial support) are disclosed in note 15.

# Notes to the accounts continued

## 18. Investments in Group undertakings continued

The below table shows the addresses of all subsidiaries in the tables above.

Address reference	Address
1	Coventry House, Harry Weston Road, Binley, Coventry CV3 2TQ
2	1 Balloon Street, Manchester, M4 4BE
3	Oakfield House, Harry Weston Road, Coventry CV3 2TQ
4	10th Floor, 5 Churchill Place, London E14 5HU
5	Blairton House, Old Aberdeen Road, Balmedie, Aberdeenshire, AB23 8SH

### Unconsolidated structured entities

The Group is the sponsor for Warwick Finance Residential Mortgages Number Three plc, an unconsolidated structured entity established for the purposes of selling Bank Group legacy retail secured mortgages in a capital efficient manner in 2017. The Group does not consolidate this entity as it has no substantive power over the entity and is unable to meaningfully influence its exposure to variable returns from its continuing involvement with the entity.

As sponsor, the Group holds amortised cost rated notes of £26 million and FVTPL residual certificates of £3 million, both classed as debt securities. The maximum exposure to loss associated with the Group's continuing involvement with this entity is the carrying value of the securities.

During the year, income of £4 million was recognised in association with the Group's ongoing involvement with the entity, made up of a combination of interest income on the rated notes, fair value movements on the residual certificates and a fee income for legal title holder services provided. The Group no longer holds legal title to the securitised mortgages as at 31 December 2025.

## 19. Intangible assets

Group	Externally acquired 2025 £m	Internally developed 2025 £m	Core deposit intangible 2025 £m	Total 2025 £m	Externally acquired 2024 £m	Internally developed 2024 £m	Core deposit intangible 2025 £m	Total 2024 £m
<b>Cost</b>								
At 1 January	5	99	–	104	5	87	–	92
Recognised on acquisition	17	93	143	253	–	–	–	–
Additions	13	27	–	40	–	20	–	20
Disposals	(4)	(14)	–	(18)	–	(8)	–	(8)
<b>At 31 December</b>	<b>31</b>	<b>205</b>	<b>143</b>	<b>379</b>	<b>5</b>	<b>99</b>	<b>–</b>	<b>104</b>
<b>Amortisation</b>								
At 1 January	4	45	–	49	4	39	–	43
Charge for the year	4	46	29	79	–	14	–	14
Disposals	(4)	(14)	–	(18)	–	(8)	–	(8)
<b>At 31 December</b>	<b>4</b>	<b>77</b>	<b>29</b>	<b>110</b>	<b>4</b>	<b>45</b>	<b>–</b>	<b>49</b>
<b>Net book value at 31 December</b>	<b>27</b>	<b>128</b>	<b>114</b>	<b>269</b>	<b>1</b>	<b>54</b>	<b>–</b>	<b>55</b>

Included within the Group charge for the year is £8 million (2024: £nil) of additional amortisation charges recognised as a result of integration decisions made during the year.

Further information relating to the recognition of the core deposit intangible asset is included in note 38.

Externally acquired and internally developed assets at 31 December 2025 include £23 million and £16 million respectively (2024: externally acquired £nil, internally developed £7 million) of assets in the course of construction. These assets relate mainly to the Group's investment in new systems and platforms to meet the future needs of the business. To the extent that these new systems and platforms are not yet ready for use by the business, no amortisation has been charged against these assets.

# Notes to the accounts continued

## 19. Intangible assets continued

Society	Externally acquired 2025 £m	Internally developed 2025 £m	Total 2025 £m	Externally acquired 2024 £m	Internally developed 2024 £m	Total 2024 £m
<b>Cost</b>						
At 1 January	5	99	104	5	87	92
Additions	—	11	11	—	20	20
Disposals	—	(5)	(5)	—	(8)	(8)
<b>At 31 December</b>	<b>5</b>	<b>105</b>	<b>110</b>	<b>5</b>	<b>99</b>	<b>104</b>
<b>Amortisation</b>						
At 1 January	4	45	49	4	39	43
Charge for the year	—	18	18	—	14	14
Disposals	—	(5)	(5)	—	(8)	(8)
<b>At 31 December</b>	<b>4</b>	<b>58</b>	<b>62</b>	<b>4</b>	<b>45</b>	<b>49</b>
<b>Net book value at 31 December</b>	<b>1</b>	<b>47</b>	<b>48</b>	<b>1</b>	<b>54</b>	<b>55</b>

Intangible assets primarily consist of externally acquired and internally developed software that is not an integral part of a related hardware purchase.

Internally developed assets at 31 December 2025 include £3 million (2024: £7 million) of assets in the course of construction. These assets relate mainly to investment in new systems and platforms to meet the future needs of the business. To the extent that these new systems and platforms are not yet ready for use by the business, no amortisation has been charged against these assets.

## 20. Property, plant and equipment

Group	Land and buildings 2025 £m	Equipment, fixtures and fittings 2025 £m	Right-of- use assets 2025 £m	Total 2025 £m	Land and buildings 2024 £m	Equipment, fixtures and fittings 2024 £m	Right-of- use assets 2024 £m	Total 2024 £m
<b>Cost</b>								
At 1 January	15	69	23	107	15	63	27	105
Recognised on acquisition	10	15	31	56	—	—	—	—
Additions <sup>1</sup>	—	10	23	33	—	7	1	8
Disposals <sup>1</sup>	(15)	(8)	(5)	(28)	—	(1)	(5)	(6)
<b>At 31 December</b>	<b>10</b>	<b>86</b>	<b>72</b>	<b>168</b>	<b>15</b>	<b>69</b>	<b>23</b>	<b>107</b>
<b>Depreciation</b>								
At 1 January	4	42	14	60	4	34	15	53
Charge for the year	4	13	8	25	—	9	3	12
Depreciation on disposals	(8)	(8)	(2)	(18)	—	(1)	(4)	(5)
<b>At 31 December</b>	<b>—</b>	<b>47</b>	<b>20</b>	<b>67</b>	<b>4</b>	<b>42</b>	<b>14</b>	<b>60</b>
<b>Net book value at 31 December</b>	<b>10</b>	<b>39</b>	<b>52</b>	<b>101</b>	<b>11</b>	<b>27</b>	<b>9</b>	<b>47</b>

1. During the year, certain long leasehold assets totalling £7m were reclassified as right of use assets.

Included within the Group charge for the year is £4 million (2024: £nil) of additional depreciation recognised against property as a result of integration decisions made during the year.

# Notes to the accounts continued

## 20. Property, plant and equipment continued

Society	Land and buildings 2025 £m	Equipment, fixtures and fittings 2025 £m	Right-of-use assets 2025 £m	Total 2025 £m	Land and buildings 2024 £m	Equipment, fixtures and fittings 2024 £m	Right-of-use assets 2024 £m	Total 2024 £m
<b>Cost</b>								
At 1 January	15	69	23	107	15	63	27	105
Additions <sup>1</sup>	—	6	16	22	—	7	1	8
Disposals <sup>1</sup>	(8)	(3)	(2)	(13)	—	(1)	(5)	(6)
<b>At 31 December</b>	<b>7</b>	<b>72</b>	<b>37</b>	<b>116</b>	<b>15</b>	<b>69</b>	<b>23</b>	<b>107</b>
<b>Depreciation</b>								
At 1 January	4	42	14	60	4	34	15	53
Charge for the year	—	9	3	12	—	9	3	12
Depreciation on disposals	(1)	(3)	(2)	(6)	—	(1)	(4)	(5)
<b>At 31 December</b>	<b>3</b>	<b>48</b>	<b>15</b>	<b>66</b>	<b>4</b>	<b>42</b>	<b>14</b>	<b>60</b>
<b>Net book value at 31 December</b>	<b>4</b>	<b>24</b>	<b>22</b>	<b>50</b>	<b>11</b>	<b>27</b>	<b>9</b>	<b>47</b>

1. During the year, certain long leasehold assets totalling £7m were reclassified as right of use assets.

The net book value of land and buildings owned by and occupied by the Group for its own activities is shown below. This therefore excludes any right-of-use assets.

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Net book value	8	11	4	11

Right-of-use assets additions includes new leases entered into during the year and additions related to lease modifications following changes in lease agreements during the period. These changes do not constitute a new agreement but adaptations or amendments to an existing contract.

Disposals relate to assets that were retired during the year.

The net book value of right-of-use assets above relates to the following types of assets:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Property	50	7	20	7
Enhanced data infrastructure	2	2	2	2
<b>Total</b>	<b>52</b>	<b>9</b>	<b>22</b>	<b>9</b>

## 21. Other assets

At 31 December 2024, the Group and Society held a balance of £725 million in other assets, which related to inaccessible funds held with independent paying agents in readiness for the purchase completion of The Co-operative Bank Holdings p.l.c. on 1 January 2025. At 31 December 2025, the balance is £nil following completion of the acquisition.

## 22. Pension scheme

The Group operates both funded and unfunded defined benefit and defined contribution pension schemes.

### Defined benefit schemes

The Society sponsors one defined benefit pension scheme; Coventry Building Society Superannuation Scheme (CBS Scheme). Following the acquisition of the Bank, the Group now sponsors a further two defined benefit pension schemes; The Bank Section of The Co-operative Pension Scheme (Pace DB) and the Britannia Pension Scheme (BPS). The Group also has a further £5 million unfunded liabilities from legacy Bank arrangements.

# Notes to the accounts continued

## 22. Pension scheme continued

### Defined benefit schemes continued

All of the schemes are overseen by separate trustee companies that are legally separate from the Group. The trustees of the schemes are required to act in the best interests of the scheme members. The appointment of the trustees is determined by each scheme's trust documentation. All schemes are closed to new members and future service accrual. Annual increases on pensions in payment for all defined benefit schemes are applied in line with their respective scheme rules. Further detail on the individual schemes are provided below.

The schemes typically expose the Group to actuarial risks such as investment risk, interest rate risk, inflation risk and longevity risk. These could impact the Balance Sheet and may give rise to increased charges in future periods. In Pace DB and BPS, this effect is substantially mitigated by the specialist insurance contracts the schemes hold, which are designed to fully offset changes in liabilities arising from principal investment and longevity risks. In the CBS Scheme, the effect would be partially mitigated by an increase in the value of the bonds and liability matched investments.

### CBS Scheme

The CBS Scheme has been closed to new members since December 2001. It provides benefits based on final pensionable salary and was closed to future service accrual from 31 December 2012. The latest full actuarial valuation of the CBS Scheme was carried out as at 30 September 2022. This showed a deficit and, since it is closed to future service accrual, no contributions were made in respect of members' pensionable salaries. There have been no further deficit contributions and none are planned ahead of the next actuarial valuation. The Society continues to meet the Scheme's expenses through contributions, including levies to the Pension Protection Fund. The deficit is expected to be recovered in future periods through investment performance.

Overall, the balance has remained in a liability position in the year, standing at £8 million at 31 December 2025 (2024: £5 million deficit). Market movements, or the resulting increase in corporate bond yields compared to the prior year, has resulted in a slightly higher discount rate applied. Whilst this has reduced the value of the CBS Scheme liabilities, there has been a greater offsetting impact on the yields and overall asset values, resulting in an increased net obligation balance. The Society will be able to reduce this obligation in the future either through future changes to the CBS Scheme valuation or through increased contributions.

The CBS Scheme employs a Liability Driven Investment (LDI) investment strategy. Each fund holds a portfolio of assets that are sensitive to changes in interest rates and/or inflation expectations. The particular funds chosen are selected so that, when combined, the value of the CBS Scheme's assets are expected to move proportionately to that of the liabilities for a given change in interest rates and/or inflation expectations. The funds will principally hold a combination of gilt repos, interest rate swaps, inflation swaps, gilt total return swaps and physical gilts. The leverage of each fund will vary with changes in interest rates and inflation and the fund manager will follow a recapitalisation process, if the leverage in any individual fund reaches a heightened level and follow a re-leveraging process if the leverage in any individual fund decreases to a depressed level.

The average duration of the defined benefit obligation at the period ended 31 December 2025 is 13 years (2024: 13 years).

### Pace DB

Pace DB has been closed to new members and future accrual since October 2015, with benefits provided on career average revalued earnings basis. This means that benefits earned by a member were dependent on length of service and average earnings over the length of service. The latest full actuarial valuation of Pace DB was carried out as at April 2022. In 2022, the Pace Trustee completed a full "buy-in" transaction to insure scheme benefits through purchase of a bulk annuity insurance policy from scheme assets, having previously completed a partial "buy-in" transaction in April 2020. Through these "buy-in" transactions materially all liabilities in respect of pension benefits are matched by insurance assets of equivalent value. As above, this means the principal risks associated with the scheme are substantially mitigated, and there is the potential to complete a full "buy-out" in the future, through issuance of individual annuity policies to members, and subsequent wind-up of the schemes.

# Notes to the accounts continued

## 22. Pension scheme continued

### Defined benefit schemes continued

#### Pace DB continued

As at 5 April 2022, the date of the most recent completed triennial funding valuation, the surplus for Pace DB was £232 million and subsequently the full “buy-in” was completed, which insured scheme benefits through a bulk annuity insurance policy with residual risk cover. The annual funding update as at 5 April 2024 indicated a £27 million surplus, with the reduction relative to the 5 April 2022 valuation including the premium paid by the Pace Trustee in the “buy-in” transaction. No deficit recovery contributions are in place, but the Pace Trustee retains a security interest in £25 million of cash in an escrow arrangement under the terms of a Payment Agreement in the event of Bank insolvency and in limited other circumstances.

The Group has recognised a net pension asset of £13 million in respect of Pace DB. The average duration of the defined benefit obligation at the period ended 31 December 2025 is 13 years.

#### BPS

BPS has been closed to new members since 2001, and to future accrual since October 2012. The latest full actuarial valuation of BPS was carried out as at April 2023. The BPS Trustee completed a full “buy-in” transaction in December 2024, also with the potential to complete a full “buy-out” of the scheme in the future, through issuance of individual annuity policies to members, and subsequent wind-up of the scheme.

The actuarial valuation of BPS as at 5 April 2023, showed BPS had a surplus of £66 million and no deficit recovery or other contributions are required.

The Group has recognised a net pension asset of £15 million in respect of BPS for the year ended 31 December 2025. The average duration of the defined benefit obligation at the period ended 31 December 2025 is 11 years.

#### Pension benefit/(obligation)

The assumptions used across the schemes are shown below. There have been no changes in the valuation methodology adopted for this period's disclosures compared with the prior period's disclosures. Group comparative positions will include the CBS Scheme only, due to the acquisition of the Bank on 1 January 2025.

The costs of the schemes were assessed in accordance with the advice of a qualified actuary on the basis of valuations using the projected unit credit method.

The present value of the schemes' liabilities is measured by discounting the best estimate of future cash flows to be paid out by the schemes using the projected unit credit method. The value calculated in this way is deducted from the fair value of scheme assets and the net (surplus/(obligation)) is presented on the Balance Sheet as shown below:

Scheme	2025			2024		
	Asset £m	Obligation £m	Net £m	Asset £m	Obligation £m	Net £m
CBS Scheme	127	(135)	(8)	132	(137)	(5)
<b>Society total</b>	<b>127</b>	<b>(135)</b>	<b>(8)</b>	<b>132</b>	<b>(137)</b>	<b>(5)</b>
Pace DB	794	(781)	13	—	—	—
BPS	403	(388)	15	—	—	—
<b>Total funded surplus/(obligation)</b>	<b>1,324</b>	<b>(1,304)</b>	<b>20</b>	<b>132</b>	<b>(137)</b>	<b>(5)</b>
Unfunded Obligation	—	(5)	(5)	—	—	—
<b>Net surplus/(obligation)</b>	<b>1,324</b>	<b>(1,309)</b>	<b>15</b>	<b>132</b>	<b>(137)</b>	<b>(5)</b>
Shown as						
Pension benefit surplus			28			—
Pension benefit obligation			(13)			(5)

# Notes to the accounts continued

## 22. Pension scheme continued

### Movement in funded pension benefit/(obligation)

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
<b>Present value of obligation</b>				
As at 1 January	(137)	(149)	(137)	(149)
Recognised on acquisition	(1,209)	–	–	–
Interest expense	(73)	(7)	(8)	(7)
Benefit payments from plan assets	81	7	8	7
Remeasurements:				
Effects of changes in demographic assumptions	6	–	(1)	–
Effects of changes in financial assumptions	34	12	3	12
Effects of experience adjustments	(6)	–	–	–
<b>As at 31 December</b>	<b>(1,304)</b>	<b>(137)</b>	<b>(135)</b>	<b>(137)</b>
<b>Fair value of plan assets</b>				
As at 1 January	132	153	132	153
Recognised on acquisition	1,241	–	–	–
Interest income	75	7	8	7
Benefit payments from plan assets	(81)	(7)	(8)	(7)
Return on assets	(37)	(21)	(5)	(21)
Administrative Expenses	(6)	–	0	–
<b>As at 31 December</b>	<b>1,324</b>	<b>132</b>	<b>127</b>	<b>132</b>
<b>Funded pension benefit (obligation)/surplus</b>	<b>20</b>	<b>(5)</b>	<b>(8)</b>	<b>(5)</b>
The movement is analysed below:				
Pension benefit (obligation)/surplus as at 1 January	(5)	4	(5)	4
Recognised on acquisition	32	–	–	–
Amount recognised in the income statement	(4)	–	–	–
Remeasurement losses	(3)	(9)	(3)	(9)
<b>Funded pension benefit (obligation)/surplus as at 31 December</b>	<b>20</b>	<b>(5)</b>	<b>(8)</b>	<b>(5)</b>
Amount recognised in Other Comprehensive Income:				
Return on plan assets	(37)	(21)	(5)	(21)
Effect of changes in demographic assumptions	6	–	(1)	–
Effect of changes in financial assumptions	34	12	3	12
Effect of experience adjustments	(6)	–	–	–
<b>Remeasurement loss of pension benefit surplus</b>	<b>(3)</b>	<b>(9)</b>	<b>(3)</b>	<b>(9)</b>
Amount recognised in the income statement:				
Administrative Expenses	(6)	–	–	–
Net Interest expense on defined benefit obligation	2	–	–	–
<b>Net expense</b>	<b>(4)</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Notes to the accounts continued

## 22. Pension scheme continued

The major categories of plan assets are:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
<b>Quoted</b>				
Corporate bonds and liability matching	43	14	43	14
Equities	—	1	—	1
Unit trusts	5	—	5	—
<b>Unquoted</b>				
Annuities	1,162	—	—	—
Cash	19	3	—	3
Corporate bonds and liability matching	6	36	6	36
Direct lending	19	4	3	4
Diversified growth funds	8	11	8	11
Property	—	9	—	9
Unit trusts	62	55	62	55
<b>Total</b>	<b>1,324</b>	<b>133</b>	<b>127</b>	<b>133</b>

The principal weighted average actuarial assumptions used are as follows:

Financial assumptions	2025 %	2024 %
Discount rate	5.60	5.55
Rate of pensionable salary increase	—	—
Rates of inflation (Retail Prices Index)	2.80 - 2.90	3.10
Rates of inflation (Consumer Prices Index)	2.30 - 2.45	2.55

Life expectancy for mortality tables used to determine benefit obligation	2025		2024	
	Male	Female	Male	Female
Member age 60 (current life expectancy)	24.7 - 26.2	27.6 - 28.8	25.9	28.7
Member age 40 (life expectancy at age 60)	25.9 - 27.7	28.8 - 30.3	27.4	30.2

The assumptions on mortality are based on the actuarial table known as the S3PxA table. For the CBS Scheme, the assumptions are 101% of the S3PxA table with CMI 2024 projections with a 1.25% p.a. long-term improvement rate (2024: 101% S3PxA with CMI 2023 projections with a 1.25% p.a. long-term improvement rate). For Pace DB and BPS, the assumptions are 117% of the S3PxA table with CMI 2023 projections with a 1.00% p.a. long-term improvement rate.

The Group has to make assumptions on the discount rate, inflation and life expectancy when valuing the schemes' balances and changes in these assumptions could affect the reported balance. The sensitivity of the defined benefit obligation of the Society to changes in the weighted principal assumptions is indicated below for isolated changes in assumptions; in reality, it is likely that assumptions will be related to each other and impact simultaneously.

Sensitivity analysis has been presented separately for the CBS Scheme. This is due to the buy-in arrangements in place for the Pace DB and BPS schemes resulting in them being subject to less variability.

CBS Scheme	Change in assumption	Increase in assumption %	Increase in assumption £m	Decrease in assumption %	Decrease in assumption £m
<b>Impact on present value of obligation:</b>					
Discount rate	0.50%	(0.06)	(7.5)	0.06	8.4
Rates of inflation (Retail Prices Index and Consumer Prices Index)	0.25%	0.02	2.8	(0.02)	(2.7)
Life expectancy	1 year	0.03	3.5	(0.03)	(3.4)
<b>Pace DB and BPS</b>					
<b>Impact on present value of obligation:</b>					
Discount rate	0.50%	(0.06)	(68.4)	0.06	75.4
Rates of inflation (Retail Prices Index and Consumer Prices Index)	0.50%	0.05	54.3	(0.04)	(51.4)
Life expectancy	1 year	0.03	33.9	(0.03)	(34.4)

# Notes to the accounts continued

## 22. Pension scheme continued

### Consideration of recent UK High Court case appeal (Virgin Media Ltd v NTL Pension Trustees II Ltd)

In July 2024, the UK High Court upheld on appeal a case decision which concerned the validity of amendments made to pension schemes that were contracted-out of the state pension system between the period of April 1997 to April 2016. In 2025, the Government committed to introduce legislation to allow pension schemes to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. Therefore, whilst a review is ongoing at the date of approval of these financial statements as to whether the Group schemes are affected, there is not expected to be any material impact.

## 23. Deferred tax

Deferred tax assets and liabilities are attributable to the following items:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
<b>Deferred tax assets</b>				
Other derivatives	–	(1)	(1)	(1)
Defined benefit pension plan obligation	–	(1)	(2)	(1)
Excess of capital allowances over depreciation	(46)	(2)	(2)	(2)
Provisions and other temporary differences	–	(1)	(1)	(1)
Tax losses	(243)	–	–	–
<b>Total deferred tax assets</b>	<b>(289)</b>	<b>(5)</b>	<b>(6)</b>	<b>(5)</b>
<b>Deferred tax liabilities</b>				
Cash flow hedges	45	81	44	69
Defined benefit pension plan surplus	6	–	–	–
Investment in equity shares	1	4	–	4
Research and development intangible assets	6	6	6	6
Transfer of engagements - fair value adjustments	26	–	–	–
<b>Total deferred tax liabilities</b>	<b>84</b>	<b>91</b>	<b>50</b>	<b>79</b>
<b>Net deferred tax (asset)/liability</b>	<b>(205)</b>	<b>86</b>	<b>44</b>	<b>74</b>

Deferred tax liabilities have been offset against deferred tax assets in the Balance Sheet where there is a legal right of offset. The deferred tax balances at 31 December 2025 reflect tax rates enacted at the Balance Sheet date, being corporation tax of 25% and banking surcharge of 3% where it applies.

Deferred tax assets are recognised where they have arisen on the basis that sufficient future taxable trading profits will be available to utilise the deferred tax assets and are recognised only to the extent that the Group expects to utilise them against future profits based on current UK tax laws.

The Group has recognised deferred tax assets of £243 million (2024: £nil) in respect of historical trading losses of £2,353 million (2024: £nil), which relate wholly to the Bank. Whilst there is no expiry date for the utilisation of tax losses, it is restricted to 50% or 25% of taxable profits depending on when those tax losses were incurred.

Deferred tax assets are recognised only to the extent that the Group expects to utilise them against future profits based on current UK tax laws. The deferred tax asset recognised is based on the Board-approved strategic plan which incorporates assumptions about the Bank's trade and profitability over the five year plan period.

Measurement of deferred tax assets in respect of future taxable profits is a significant accounting estimate for the Group. The five year planning period and five year period beyond the financial plan, where haircuts are applied for future uncertainty, all inform the asset recognised. A range of plausible scenarios are considered to determine the deferred tax asset recognised and the time period over which it will be recovered. This approach is considered appropriate given the sensitivity of forecast profitability to macroeconomic conditions and the Group's ability to achieve its financial and strategic targets.

A movement of 10% in the haircut applied to the outer years beyond the approved financial plan results in a £21 million movement in the deferred tax asset balance.

A 5% reduction (or increase) in the profitability forecast for the financial plan period and outer years results in a £12m decrease (or increase) in the deferred tax asset balance.

A further £364 million (2024: £nil) of deferred tax assets in relation to the Bank's historic trading losses have not been recognised at 31 December 2025, as they have not yet met the assessment level for expected future utilisation. The Group also has an unrecognised deferred tax asset of £14 million (2024: £nil) relating to other temporary differences.

# Notes to the accounts continued

## 24. Deposits from banks

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Bank of England - TFSME	264	2,065	—	2,065
Sale and repurchase agreements (repos) in relation to:				
Covered bond programme	1,358	504	1,358	504
Debt securities	1,160	500	503	500
Other <sup>1</sup>	227	863	194	863
<b>Total deposits from banks</b>	<b>3,009</b>	<b>3,932</b>	<b>2,055</b>	<b>3,932</b>

1. Other deposits from banks includes the collateral received held against derivative financial assets.

## 25. Debt securities in issue

The changes in debt securities issued by the Group are as follows:

Group	2025				2024			
	Medium term notes £m	Covered bonds £m	Residential Mortgage Backed Securities £m	Total £m	Medium term notes £m	Covered bonds £m	Residential Mortgage Backed Securities £m	Total £m
As at 1 January	2,067	2,866	1,610	6,543	1,145	2,955	1,278	5,378
Recognised on acquisition	678	499	—	1,177	—	—	—	—
Cash flows	(345)	697	117	469	910	(15)	331	1,226
Non-cash flows								
Foreign exchange movements	24	104	—	128	(2)	(76)	—	(78)
Change in accrued interest	(6)	(1)	(1)	(8)	12	—	—	12
Amortisation	4	3	1	8	2	2	1	5
Unwind of fair value on acquisition	(10)	—	—	(10)	—	—	—	—
<b>As at 31 December</b>	<b>2,412</b>	<b>4,168</b>	<b>1,727</b>	<b>8,307</b>	<b>2,067</b>	<b>2,866</b>	<b>1,610</b>	<b>6,543</b>

The changes in debt securities issued by the Society are as follows:

Society	2025				2024			
	Medium term notes £m	Covered bonds £m	Residential Mortgage Backed Securities £m	Total £m	Medium term notes £m	Covered bonds £m	Residential Mortgage Backed Securities £m	Total £m
As at 1 January	2,067	2,866	(3)	4,930	1,145	2,955	(3)	4,097
Cash flows	(145)	697	—	552	910	(15)	—	895
Non-cash flows								
Foreign exchange movements	24	104	—	128	(2)	(76)	—	(78)
Change in accrued interest	(3)	(1)	—	(4)	12	—	—	12
Amortisation	2	3	—	5	2	2	—	4
Change in fair value through profit and loss	4	—	—	4	—	—	—	—
<b>As at 31 December</b>	<b>1,949</b>	<b>3,669</b>	<b>(3)</b>	<b>5,615</b>	<b>2,067</b>	<b>2,866</b>	<b>(3)</b>	<b>4,930</b>

Debt securities in issue are repayable in the ordinary course of business as follows:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Accrued interest	39	31	32	30
Other debt securities				
In not more than one year	1,795	1,052	1,272	849
In more than one year	6,473	5,460	4,311	4,051
<b>Total</b>	<b>8,307</b>	<b>6,543</b>	<b>5,615</b>	<b>4,930</b>

# Notes to the accounts continued

## 26. Derivative financial instruments

The Group elected to continue to apply the hedge accounting requirements of IAS 39 as permitted under IFRS 9.

### Risk management strategy

Derivative financial instruments, predominantly interest rate and cross currency swaps, are held solely for the purposes of mitigating interest rate risk, foreign exchange risk or interest rate and foreign exchange risk together, as explained in the Risk Management Report. Where appropriate, they are designated as hedging instruments within either fair value or cash flow hedge relationships under the terms of UK-adopted IAS 39. Derivatives can hedge specific assets or liabilities such as liquidity or wholesale instruments (sometimes referred to as 'micro' hedges) or portions of a portfolio of fixed rate products (sometimes referred to as 'macro' hedges).

For micro hedges, the Group establishes the hedging ratio by comparing the notional amount of the derivatives with the principal of the instruments being hedged. For macro hedges, the Group establishes the hedging ratio by matching the notional amount of the derivatives with the principal of that portion of the portfolio being hedged and manages this on a monthly basis by entering into interest rate swaps.

Where interest rate risk is hedged, only the interest rate risk element of the underlying position is designated as the hedged item and therefore other risks, such as credit risk, which are managed but not hedged by the Group, are excluded.

The interest rate risk element is determined with regard to the fixed rate that represents the benchmark rate of interest being hedged. Where foreign exchange risk is hedged, the foreign currency risk component is determined as the change in cash flows of the foreign currency debt arising solely from changes in the relevant forward exchange rates.

For fair value hedges, the effectiveness of the hedge relationship is assessed by comparing changes in the fair value of the hedged item attributable to changes in the benchmark rate of interest with changes in the fair value of the derivative.

For cash flow hedges, effectiveness is assessed by comparing the changes in the fair value of the derivative with changes in the fair value of the hedged item attributable to the hedged risk, using the hypothetical derivative method.

Possible sources of ineffectiveness are as follows:

- Differences in the benchmark rates of interest used to value the hedged item and the hedging instrument, such as when cash collateralised interest rate swaps are discounted using SONIA but this is not the benchmark rate of interest for the hedged item.
- Differences in timing of cash flows between the derivative and the hedged item.
- Differences in weighted average rate between the derivatives and the hedged item per monthly time buckets in a portfolio hedge.
- 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.
- Counterparty credit risk which impacts the fair value of uncollateralised swaps but not the hedged item.

### Hedging instruments

The following tables contain details of the hedging instruments used in the Group's hedging strategies. The notional amount indicates the amount on which payment flows are derived at the Balance Sheet date and do not represent risk. Derivative assets and liabilities are included in the Balance Sheet at fair value.

Group	2025			2024		
	Notional amount £m	Fair value assets £m	Fair value liabilities £m	Notional amount £m	Fair value assets £m	Fair value liabilities £m
Derivatives designated as fair value hedges:						
Interest rate risk	69,401	457	291	55,893	1,057	201
Derivatives designated as cash flow hedges:						
Interest rate risk	9,238	18	12	9,916	23	43
Foreign exchange risk <sup>1</sup>	1,940	30	11	1,941	2	51
Foreign exchange and interest rate risk <sup>1</sup>	417	16	–	417	–	8
Other derivatives						
Interest rate risk	1,257	12	6	972	2	2
Foreign exchange risk	14	–	–	–	–	–
<b>Total derivatives</b>	<b>82,267</b>	<b>533</b>	<b>320</b>	<b>69,139</b>	<b>1,084</b>	<b>305</b>

1. Cash flows are expected to occur over a four year period (2024: five).

# Notes to the accounts continued

## 26. Derivative financial instruments continued

### Hedging instruments continued

Society	2025			2024		
	Notional amount £m	Fair value assets £m	Fair value liabilities £m	Notional amount £m	Fair value assets £m	Fair value liabilities £m
Derivatives designated as fair value hedges:						
Interest rate risk	56,784	389	240	55,893	1,057	201
Derivatives designated as cash flow hedges:						
Interest rate risk	9,238	18	12	9,916	23	43
Foreign exchange and interest rate risk	417	16	–	417	–	8
Other derivatives						
Interest rate risk	482	1	–	972	2	2
<b>Total derivatives</b>	<b>66,921</b>	<b>424</b>	<b>252</b>	<b>67,198</b>	<b>1,082</b>	<b>254</b>

The following tables set out the maturity profile and average interest and foreign exchange rates of the hedging instruments used in the Group's hedging strategy at 31 December 2025. Derivative contractual maturities are included in the Risk Management Report.

The following table contains details of fair value hedged exposures at 31 December 2025:

2025 Group	Maturity				
	Up to one month £m	One to three months £m	Three months to one year £m	One to five years £m	More than five years £m
Interest rate risk:					
Contract/ notional amount	1,278	1,795	25,710	47,266	3,847
Average fixed interest rate	1.9%	3.4%	3.7%	3.4%	3.6%
Foreign exchange risk:					
Contract/ notional amount	2	–	891	1,061	–
Average fixed interest rate	–%	–%	2.9%	2.3%	–%
Average £/€ exchange rate	1.2	–	0.9	0.9	–
Foreign exchange and interest rate risk:					
Contract/ notional amount	–	–	–	417	–
Average fixed interest rate	–%	–%	–%	3.1%	–%
Average £/€ exchange rate	–	–	–	0.8	–

2025 Society	Maturity				
	Up to one month £m	One to three months £m	Three months to one year £m	One to five years £m	More than five years £m
Interest rate risk:					
Contract/ notional amount	232	961	22,822	39,697	2,792
Average fixed interest rate	1.3%	3.4%	3.7%	3.4%	3.6%
Foreign exchange and interest rate risk:					
Contract/ notional amount	–	–	–	417	–
Average fixed interest rate	–%	–%	–%	3.1%	–%
Average £/€ exchange rate	–	–	–	0.8	–

# Notes to the accounts continued

## 26. Derivative financial instruments continued

### Hedging instruments continued

2024 Group	Maturity				
	Up to one month £m	One to three months £m	Three months to one year £m	One to five years £m	More than five years £m
Interest rate risk:					
Contract/ notional amount	184	792	23,453	38,961	3,392
Average fixed interest rate	0.4%	2.3%	4.0%	3.4%	3.4%
Foreign exchange risk:					
Contract/ notional amount	–	–	–	1,940	–
Average fixed interest rate	–	–	–	2.6%	–
Average £/€ exchange rate	–	–	–	1.0	–
Foreign exchange and interest rate risk:					
Contract/ notional amount	–	–	–	417	–
Average fixed interest rate	–	–	–	3.1%	–
Average £/€ exchange rate	–	–	–	0.8	–

2024 Society	Maturity				
	Up to one month £m	One to three months £m	Three months to one year £m	One to five years £m	More than five years £m
Interest rate risk:					
Contract/ notional amount	184	792	23,453	38,961	3,392
Average fixed interest rate	0.4%	2.3%	4.0%	3.4%	3.4%
Foreign exchange and interest rate risk:					
Contract/ notional amount	–	–	–	417	–
Average fixed interest rate	–	–	–	3.1%	–
Average £/€ exchange rate	–	–	–	0.8	–

### Hedged items

The following table contains details of fair value hedged exposures at 31 December:

Group	2025				2024			
	Carrying amount of hedged item		Accumulated amount of fair value adjustments on the hedged item		Carrying amount of hedged item		Accumulated amount of fair value adjustments on the hedged item	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fair value hedges:								
Interest rate <sup>1,2</sup>	67,047	(22,739)	107	(29)	46,473	(23,042)	(494)	68

Society	2025				2024			
	Carrying amount of hedged item		Accumulated amount of fair value adjustments on the hedged item		Carrying amount of hedged item		Accumulated amount of fair value adjustments on the hedged item	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fair value hedges:								
Interest rate <sup>1,2</sup>	48,489	(19,394)	88	(7)	46,473	(23,042)	(494)	68

1. Assets presented in Loans and advances to customers and Debt securities in the Balance Sheet.

2. Liabilities presented in Shares, Customer accounts and Debt securities in issue in the Balance Sheet.

Of the £107 million increase (2024: £494 million decrease) total accumulated fair value adjustments on the hedged asset, £169 million increase (2024: £448 million decrease) relates to hedging instruments for loans and advances to customers. The remainder relates to hedges in place against treasury instruments.

# Notes to the accounts continued

## 26. Derivative financial instruments continued

### Hedged items continued

The following tables provide additional information on cash flow hedges:

2025 Group	Changes in Fair Value			Amounts reclassified from reserves to Income Statement			Recognised in Income Statement <sup>1</sup> £m
	Hedging derivative £m	Hedged item for ineffectiveness assessment £m	Gains/(losses) recognised in OCI £m	Hedged cash flows will no longer occur £m	Hedged item for affected Income Statement £m		
Derivatives designated as cash flow hedges:							
Foreign exchange	68	68	68	–	106	–	
Foreign exchange and interest rate	22	23	22	–	22	–	
Interest rate	17	17	17	107	–	108	

1. Ineffectiveness is shown in note 9 Net (losses)/gains from derivatives and hedge accounting.

2025 Society	Changes in Fair Value			Amounts reclassified from reserves to Income Statement			Recognised in Income Statement <sup>1</sup> £m
	Hedging derivative £m	Hedged item for ineffectiveness assessment £m	Gains/(losses) recognised in OCI £m	Hedged cash flows will no longer occur £m	Hedged item for affected Income Statement £m		
Derivatives designated as cash flow hedges:							
Foreign exchange	–	–	–	–	–	–	
Foreign exchange and interest rate	22	23	22	–	22	–	
Interest rate	17	17	17	107	–	108	

1. Ineffectiveness is shown in note 9 Net losses from derivative financial instruments.

As at 31 December 2025, balances remaining in the cash flow hedge reserve, gross of tax, are a £15 million gain for continuing hedges and £149 million gain for discontinued hedges (2024: £30 million gain, £261 million gain respectively).

2024 Group	Changes in Fair Value			Amounts reclassified from reserves to Income Statement			Recognised in Income Statement <sup>1</sup> £m
	Hedging derivative £m	Hedged item for ineffectiveness assessment £m	Gains/(losses) recognised in OCI £m	Hedged cash flows will no longer occur £m	Hedged item for affected Income Statement £m		
Derivatives designated as cash flow hedges:							
Foreign exchange	(38)	(38)	(38)	–	(77)	–	
Foreign exchange and interest rate	(4)	(4)	(4)	–	(4)	–	
Interest rate	31	31	31	126	–	126	

1. Ineffectiveness is shown in note 9 Net losses from derivative financial instruments.

2024 Society	Changes in Fair Value			Amounts reclassified from reserves to Income Statement			Recognised in Income Statement <sup>1</sup> £m
	Hedging derivative £m	Hedged item for ineffectiveness assessment £m	Gains/(losses) recognised in OCI £m	Hedged cash flows will no longer occur £m	Hedged item for affected Income Statement £m		
Derivatives designated as cash flow hedges:							
Foreign exchange	–	–	–	–	–	–	
Foreign exchange and interest rate	(4)	(4)	(4)	–	(4)	–	
Interest rate	31	31	31	126	–	126	

1. Ineffectiveness is shown in note 9 Net (losses)/gains from derivatives and hedge accounting.

# Notes to the accounts continued

## 27. Provisions for liabilities and charges

During the normal course of business, the Group receives complaints from customers in relation to past sales and ongoing administration. The Group is also subject to enquiries from and discussions with its regulators, including the Financial Ombudsman Service (FOS), on a range of matters.

The Group continues to monitor ongoing legal cases and makes assessment on potential exposure based on available information and expected outcomes. The Group does not expect the ultimate resolution of any current complaints, threatened or actual legal proceedings, regulatory or other matters to have a material adverse impact on its financial position.

Therefore there are no matters which require disclosure as a contingent liability or provisions recognised at the balance sheet date.

## 28. Subordinated liabilities

	Issue date	Call date	Maturity date	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Subordinated liabilities owed to note holders are as follows:							
Fixed rate subordinated notes 2032 - 7.54%	Aug 2009	Aug 2027	Aug 2032	15	15	15	15
Fixed rate subordinated notes 2034 - 11.75%	Nov 2023	May 2029	May 2034	233	–	239	–
<b>Total</b>				<b>248</b>	<b>15</b>	<b>254</b>	<b>15</b>

The 2023 issued subordinated notes were transferred to the Society from The Co-operative Bank Holdings p.l.c., the original issuer, during the year as part of simplifying the Group funding structure.

All the subordinated liabilities are denominated in sterling and are repayable in the years stated, or earlier in accordance with their terms at the option of the issuer, subject to prior consent of the Prudential Regulation Authority (PRA).

The subordinated notes rank equally with each other and behind all other creditors of the Society and the claims of Shareholding Members, other than holders of Permanent Interest Bearing Shares (PIBS) and Perpetual Capital Securities (PCS), for both principal and interest.

The fixed rate subordinated notes 2032 - 7.54% can be called at the option of the Society in August 2027 in accordance with their terms, subject to prior consent of the PRA.

The fixed rate subordinated notes 2034 - 11.75% can be called at the option of the Society in May 2029 in accordance with their terms, subject to prior consent of the PRA.

## 29. Subscribed capital

Group and Society	2025 £m	2024 £m
Subscribed capital owed to permanent interest holding members is as follows:		
Permanent Interest Bearing Shares - 1992 - 12 1/8%	42	42
<b>Total</b>	<b>42</b>	<b>42</b>

Subscribed capital comprises the Society's Permanent Interest Bearing Shares (PIBS) issued in 1992 which are only repayable in the event of the winding up of the Society. Interest is paid in arrears in half yearly instalments at 12 1/8% per annum.

PIBS rank equally with each other. They rank behind all other creditors of the Society including subordinated liabilities and the claims of Shareholding Members (other than holders of PCS, which rank behind PIBS) for both principal and interest. The holders of PIBS are not entitled to any share in any final surplus upon a winding up or final dissolution of the Society.

## 30. Other equity instruments

In June 2024, the Society issued £665 million Perpetual Capital Securities (PCS). This is also known as Additional Tier 1 Capital. This PCS issuance pays a fully discretionary, non-cumulative fixed coupon at an initial rate of 8.750% per annum. The rate will reset on 11 December 2029 and every five years thereafter to the prevailing rate on a benchmark gilt plus 4.727%. Coupons are paid semi-annually in June and December. The cost of issuance of £7 million (net of tax) has been recognised within the Society's general reserve.

The returns paid to holders of PCS are treated as an appropriation of profit after tax, reflecting their categorisation as equity instruments, distributed directly from the general reserve. During 2025, coupon payments of £58 million (2024: £50 million) have been recognised in the Consolidated Statement of Change in Members' Interests and Equity. The 2024 payments include the interest relating to the 2019 issuance which was settled as part of the tender process.

# Notes to the accounts continued

## 30. Other equity instruments continued

The 2024 instruments have no maturity date. They are repayable at the option of the Society in 2029 and on every fifth anniversary thereafter, but only with the prior consent of the PRA. If the end-point Common Equity Tier 1 ratio for the Group, on either an individual consolidated or a consolidated basis, falls below 7% they convert to Core Capital Deferred Shares (CCDS) at the rate of one CCDS for every £67 PCS held.

The PCS rank behind all other creditors of the Society including Subordinated liabilities and the claims of Shareholding Members (other than PIBS), for both principal and interest. The holders of PCS are not entitled to any share in any final surplus upon a winding up or final dissolution of the Society.

In the prior year, a tender offer for previously issued PCS instruments was completed, with £388 million of the £415 million PCS repurchased for £390 million (net of tax). A residual £27 million was redeemed by the Society in September 2024 on the optional redemption date of the bonds.

## 31. Financial commitments

The table below shows commitments arising from customer transactions.

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Advances in respect of loans and advances to customers for mortgages approved but not yet completed	2,722	1,915	1,196	1,429
Loan facilities for business and commercial customers	296	–	–	–
Unused credit card and overdraft limits	928	–	–	–
<b>Total commitments arising from customer transactions</b>	<b>3,946</b>	<b>1,915</b>	<b>1,196</b>	<b>1,429</b>

## 32. Other liabilities

Items presented on the Balance Sheet within other liabilities as shown below:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Other taxation and social security	13	7	4	7
Amounts due to beneficiary banks	23	–	–	–
Lease liabilities	44	12	13	12
Amounts due to connected undertakings	–	–	1,671	1,546
Other	28	9	15	9
<b>Total</b>	<b>108</b>	<b>28</b>	<b>1,703</b>	<b>1,574</b>

Amounts due to connected undertakings reflects the deemed loan to Economic Master Issuer plc.

### Lease liabilities

The table below shows the maturity profile of the gross contractual cash flows, including interest charge, of the lease liabilities held. This analysis differs from the lease liabilities balance, above which represents the discounted future cash flows of the operations.

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Amounts falling due:				
Less than three months	2	1	1	1
Greater than three months and less than one year	7	3	3	3
Between one and five years	24	7	9	7
After five years	15	1	1	1
<b>Total</b>	<b>48</b>	<b>12</b>	<b>14</b>	<b>12</b>

The Group has elected to adopt the exemption for short-term leases or leases of low value, and these leases are recognised in the Income Statement as an expense. There were no items expensed in 2025 (2024: £nil). Variable lease payments are not included as lease liabilities and are expensed as incurred, and they amount to £nil for the year (2024: £1 million). The Group sublets 12 (2024: three) of its leased properties. The income received from this is negligible and is recognised as rental income.

# Notes to the accounts continued

## 33. Financial instruments - fair value of financial assets and liabilities

For the purpose of calculating fair values, fair value is assessed as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: unadjusted quoted prices in active markets for identical instruments.
- Level 2: valuation techniques for which all significant inputs are based on observable market data.
- Level 3: valuation techniques for which significant inputs are not based on observable market data.

Where applicable, the Group measures fair value using the quoted price in an active market for that instrument. A market is regarded as active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Where this is not applicable, the Group determines fair values using other valuation techniques.

### Fair value of assets and liabilities held at amortised cost

The following table summarises the fair value of the Group's and Society's financial assets and liabilities measured at amortised cost in the Group's and Society's Balance Sheet.

2025 Group	Carrying amount £m	Fair value Level 1 £m	Fair value Level 2 £m	Fair value Level 3 £m	Fair value Total £m
<b>Financial assets</b>					
Loans and advances to credit institutions	383	—	383	—	383
Loans and advances to customers	72,936	—	—	73,266	73,266
Debt securities	26	—	—	27	27
<b>Financial liabilities</b>					
Shares	50,830	—	—	50,480	50,480
Customer accounts	20,892	—	42	20,841	20,883
Deposits from banks	3,009	—	2,993	16	3,009
Debt securities in issue	8,307	—	8,301	—	8,301
Subordinated liabilities	248	—	258	—	258
Subscribed capital	42	79	—	—	79

2025 Society	Carrying amount £m	Fair value Level 1 £m	Fair value Level 2 £m	Fair value Level 3 £m	Fair value Total £m
<b>Financial assets</b>					
Loans and advances to credit institutions	261	—	261	—	261
Loans and advances to customers	33,941	—	—	34,167	34,167
Debt securities	—	—	—	—	—
Loans with Group undertakings	18,263	—	3,873	14,298	18,171
<b>Financial liabilities</b>					
Shares	50,830	—	—	50,480	50,480
Customer accounts	187	—	187	—	187
Deposits from banks	2,055	—	2,055	—	2,055
Debt securities in issue	5,408	—	5,393	—	5,393
Subordinated liabilities	15	—	19	—	19
Subscribed capital	42	79	—	—	79

# Notes to the accounts continued

## 33. Financial instruments - fair value of financial assets and liabilities continued

### Fair value of assets and liabilities held at amortised cost continued

2024 Group	Carrying amount £m	Fair value Level 1 £m	Fair value Level 2 £m	Fair value Level 3 £m	Fair value Total £m
<b>Financial assets</b>					
Loans and advances to credit institutions	329	–	329	–	329
Loans and advances to customers	51,801	–	–	51,593	51,593
Debt securities	–	–	–	–	–
<b>Financial liabilities</b>					
Shares	49,343	–	–	49,268	49,268
Customer accounts	82	–	82	–	82
Deposits from banks	3,932	–	3,932	–	3,932
Debt securities in issue	6,543	–	6,441	–	6,441
Subordinated liabilities	15	–	19	–	19
Subscribed capital	42	67	–	–	67

2024 Society	Carrying amount £m	Fair value Level 1 £m	Fair value Level 2 £m	Fair value Level 3 £m	Fair value Total £m
<b>Financial assets</b>					
Loans and advances to credit institutions	329	–	329	–	329
Loans and advances to customers	33,458	–	–	33,416	33,416
Debt securities	–	–	–	–	–
Loans with Group undertakings	17,583	–	4,634	12,810	17,444
<b>Financial liabilities</b>					
Shares	49,343	–	–	49,268	49,268
Customer accounts	234	–	234	–	234
Deposits from banks	3,932	–	3,932	–	3,932
Debt securities in issue	4,930	–	4,831	–	4,831
Subordinated liabilities	15	–	19	–	19
Subscribed capital	42	67	–	–	67

### Loans and advances to credit institutions

The fair value of loans and advances to credit institutions over the longer term is estimated by discounting expected cash flows at a market discount rate. Amounts maturing in the short term are valued at carrying amount.

### Loans and advances to customers

The fair value of loans and advances to customers is assessed as the value of the expected future cash flows, projected using contractual interest payments and repayments and the expected prepayment behaviour of borrowers. Assumptions are applied regarding expected levels of customer prepayments and the risk of defaults. The estimated future cash flows are discounted at current market rates for the loan types and adjusted where necessary to reflect any observable market conditions. The majority of the loans and advances to customers are on a fixed rate product, and therefore interest rate swap derivative instruments are in place against these assets. Hedge accounting related fair value adjustments of £169 million increase at Group and £118 million increase at Society (31 December 2024: £448 million decrease, Group and Society) are excluded from the carrying value and fair value.

### Debt securities

Debt securities for which no market price or executable bid is available at the year end date are valued by one of two methods. Where there are recent market prices or executable bids for the security, these are used as the basis for establishing a valuation. Otherwise, a security is valued based on its relative value to comparable bonds.

# Notes to the accounts continued

## 33. Financial instruments - fair value of financial assets and liabilities continued

### Fair value of assets and liabilities held at amortised cost continued

#### Loans with Group undertakings

Loans with Group undertakings are made up of intercompany loan balances. Intercompany loan balances repayable on demand are classed as level 3. Intercompany loans due in relation to the covered bond programmes are valued by reference to the to the fair value of the underlying covered bond and are classed as level 2.

#### Shares and customer accounts

The fair value of shares and customer accounts available on demand approximates to the carrying value. The fair value of fixed term or restricted access deposits is determined from the estimated projected cash flows discounted at the current market rates for those types of deposit. The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. Hedge accounting fair value adjustments to the share balance of £25 million increase (31 December 2024: £18 million) are excluded from the carrying value and fair value. Hedge accounting fair value adjustments to customer accounts of £22 million increase (31 December 2024: £nil) are excluded from the carrying value and fair value.

#### Deposits from banks

The fair value of deposits taken from wholesale counterparties over the longer term is estimated by discounting expected cash flows at a market discount rate. Amounts maturing in the short term are valued at carrying amount.

#### Debt securities in issue, subordinated liabilities and subscribed capital

The estimated fair value of longer-dated liabilities is calculated based on quoted market prices where available or using similar issues as a proxy for those liabilities that are not of sufficient size or liquidity to have an active market quote. For those liabilities where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate to the remaining term to maturity.

### Fair value of assets and liabilities held at fair value

The following table summarises the fair value of the Group's financial assets and liabilities measured at fair value on the face of the Group and Society's Balance Sheet by fair value hierarchy and product type.

2025 Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets</b>				
Derivative financial instruments - assets:				
Interest rate swaps	–	488	–	488
Cross currency swaps	–	45	–	45
<b>Total</b>	–	533	–	533
Debt securities:				
UK Government investment securities	789	–	–	789
Other listed transferable debt securities	747	–	3	750
<b>Total</b>	1,536	–	3	1,539
Investment in equity shares:				
Investment in equity shares	–	–	5	5
<b>Total</b>	–	–	5	5
<b>Financial liabilities</b>				
Derivative financial instruments - liabilities:				
Interest rate swaps	–	308	1	309
Cross currency swaps	–	11	–	11
<b>Total</b>	–	319	1	320

# Notes to the accounts continued

## 33. Financial instruments - fair value of financial assets and liabilities continued

### Fair value of assets and liabilities held at fair value continued

2025 Society	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets</b>				
Derivative financial instruments - assets:				
Interest rate swaps	–	409	–	409
Cross currency swaps	–	15	–	15
<b>Total</b>	–	424	–	424
Debt securities:				
UK Government investment securities	440	–	–	440
Other listed transferable debt securities	–	–	–	–
<b>Total</b>	440	–	–	440
Loans with Group undertakings:				
Loans with Group undertakings	–	446	–	446
<b>Total</b>	–	446	–	446
<b>Financial liabilities</b>				
Derivative financial instruments - liabilities:				
Interest rate swaps	–	251	1	252
Cross currency swaps	–	–	–	–
<b>Total</b>	–	251	1	252
Debt securities in issue:				
Medium term notes	–	207	–	207
<b>Total</b>	–	207	–	207
Subordinated liabilities:				
Subordinated liabilities	–	239	–	239
<b>Total</b>	–	239	–	239
2024 Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets</b>				
Derivative financial instruments - assets:				
Interest rate swaps	–	1,082	–	1,082
Cross currency swaps	–	2	–	2
<b>Total</b>	–	1,084	–	1,084
Debt securities:				
UK Government investment securities	483	–	–	483
Other listed transferable debt securities	19	–	–	19
<b>Total</b>	502	–	–	502
Investment in equity shares:				
Investment in equity shares	1	–	8	9
<b>Total</b>	1	–	8	9
<b>Financial liabilities</b>				
Derivative financial instruments - liabilities:				
Interest rate swaps	–	245	1	246
Cross currency swaps	–	59	–	59
<b>Total</b>	–	304	1	305

# Notes to the accounts continued

## 33. Financial instruments - fair value of financial assets and liabilities continued

### Fair value of assets and liabilities held at fair value continued

2024 Society	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets</b>				
Derivative financial instruments - assets:				
Interest rate swaps	–	1,082	–	1,082
Cross currency swaps	–	–	–	–
<b>Total</b>	–	1,082	–	1,082
Debt securities:				
UK Government investment securities	423	–	–	423
Other listed transferable debt securities	19	–	–	19
<b>Total</b>	442	–	–	442
Investment in equity shares:				
Investment in equity shares	1	–	8	9
<b>Total</b>	1	–	8	9
<b>Financial liabilities</b>				
Derivative financial instruments - liabilities:				
Interest rate swaps	–	245	1	246
Cross currency swaps	–	8	–	8
<b>Total</b>	–	253	1	254

### Financial instruments recorded at fair value

The determination of fair value for financial instruments that are recorded at fair value using valuation techniques is described below, including the assumptions that a market participant would be expected to make when valuing the instruments:

#### Level 1: Debt securities - fair value through other comprehensive income - Listed

Market prices have been used to determine the fair value of listed debt securities.

#### Level 1: Investment in equity shares - fair value through profit and loss - Listed

Market prices have been used to determine the fair value of listed equity shares.

#### Level 2: Derivatives

Derivative products utilise observable market inputs for interest rate swaps and cross currency swaps. Valuations are generated by swap models which use present value calculations and incorporate assumptions for interest rate curves and foreign exchange spot and forward rates.

#### Level 2: Loans with Group undertakings - Unlisted

This reflects a back-to-back arrangement between the Society and the Bank in respect of listed debt securities in issue and subordinated liabilities, market prices of these instruments have been used to determine the fair value.

#### Level 2 - Debt securities - fair value through other comprehensive income - Unlisted

Where quoted market prices are not available at the valuation date, valuations of securities are based on their relative value to comparable securities.

#### Level 2 - Debt securities in issue - fair value through profit and loss - Listed

Market prices have been used to determine the fair value of listed debt securities in issue.

#### Level 2 - Subordinated liabilities - Listed

Market prices have been used to determine the fair value of listed subordinated liabilities.

#### Level 3 - Debt securities - Unlisted

Represents a 5% risk retention holding of residual certificates issued by Warwick Finance Residential Mortgages Number Three plc. The remaining 95% is privately held, therefore there is no available market prices. An in-house model is used that sources independent market data for disclosure purposes only.

#### Level 3: Investment in equity shares - fair value through profit and loss - Unlisted

The Group has a small balance of investments in equity shares, including a residual holding in Visa Inc. shares. These shares are valued based on future cash consideration which the Group expects to receive on sale of these instruments, or the underlying market value.

# Notes to the accounts continued

## 33. Financial instruments - fair value of financial assets and liabilities continued

### Financial instruments recorded at fair value continued

#### Level 3: Derivatives

The item included within Level 3 is a balance tracking swap, which remained in place during the year. It is valued using present value calculations based on market interest rate curves. The unobservable inputs relate to the projection of the swap notional amount, which changes over time to match the balance of the underlying mortgage portfolio. Projected mortgage prepayment amounts are used in the modelling of the mortgage portfolio profile. The changes in the projection of interest and prepayment rates of the underlying mortgage portfolio affect both the unbounded swap and hedged item so that the net Income Statement and Balance Sheet impact would be minimal.

The following table analyses fair value movements in the Level 3 portfolio for both the Group and the Society:

Group	2025			2024		
	Investment in equity shares £m	Derivative financial instruments £m	Debt securities £m	Investment in equity shares £m	Derivative financial instruments £m	Debt securities £m
<b>As at 1 January</b>	8	(1)	—	6	(2)	—
Recognised on acquisition	6	—	14			
Gains/(losses) recognised in the Income Statement						
Net unrealised gains/ (losses)	(1)	—	—	2	1	—
Settlements	(8)	—	(11)	—	—	—
<b>As at 31 December</b>	5	(1)	3	8	(1)	—

Society	2025			2024		
	Investment in equity shares £m	Derivative financial instruments £m	Debt securities £m	Investment in equity shares £m	Derivative financial instruments £m	Debt securities £m
<b>As at 1 January</b>	8	(1)	—	6	(2)	—
Gains/(losses) recognised in the Income Statement						
Net unrealised gains/ (losses)	3	—	—	2	1	—
Settlements	(11)	—	—	—	—	—
<b>As at 31 December</b>	—	(1)	—	8	(1)	—

No sensitivities have been performed with regards the level 3 instruments as the balances are immaterial to the financial statements.

#### Transfers between fair value levels

Transfers between fair value levels only occur when either it becomes possible to value a financial instrument using a method that is higher up the valuation hierarchy or it is no longer possible to value it using the current method and it must instead be valued using a method lower down the hierarchy. Transfers are considered to have occurred at the end of the reporting period for the purposes of this disclosure.

# Notes to the accounts continued

## 34. Offsetting financial assets and liabilities

The Group and Society do not have any financial assets or financial liabilities that are offset with the net amount presented in the Balance Sheets. IAS 32 Financial Instruments: Presentation states that there should be both an enforceable right to set-off and the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously to apply this treatment, and neither of these conditions is met.

The Group has entered into master netting arrangements such as International Swaps and Derivatives Association (ISDA) master agreements for its derivatives, other than derivatives held by Coventry Building Society Covered Bonds LLP.

Credit Support Annexes (CSAs) are executed in conjunction with these ISDA master agreements, which typically provide for the exchange of collateral to mitigate net mark-to-market credit exposure.

The Group has also entered into Global Master Repurchase Agreements, including margin collateralisation arrangements, whereby outstanding transactions with the same counterparty can be settled net following a default or other predetermined event.

Coventry Building Society Covered Bonds LLP does not enter into a master netting agreement due to the structure of the covered bond programme. However, it has entered into a separate ISDA agreement in respect of each of the derivatives it has transacted with external counterparties. Each agreement includes a CSA which provides for full collateralisation of the swap exposure, with exposure thresholds in place for a single agreement before collateral is exchanged. The £35 million net derivative credit exposure in the table below is in respect of an arrangement that will only be fully collateralised if the counterparty is downgraded to below its specified credit rating (2024: £2 million).

The table below shows the net exposure for sale and repurchase agreements or derivative contracts after any netting benefits and collateral. At the end of the year the Group did not hold any reverse sale and repurchase agreements with respect to Gilts (2024: £nil), with £2,015 million of sale and repurchase agreements being held on the balance sheet as at 31 December 2025 (2024: £602 million). The Group did not enter into securities lending (2024: £nil) during the year.

2025 Group	Gross amounts £m	Master netting arrangements £m	Financial collateral <sup>1</sup> £m	Net amount £m
<b>Financial assets</b>				
Derivative financial instruments	533	(309)	(189)	35
Reverse Repurchase Agreements	–	–	–	–
<b>Total financial assets</b>	<b>533</b>	<b>(309)</b>	<b>(189)</b>	<b>35</b>
<b>Financial liabilities</b>				
Derivative financial instruments	320	(309)	(1)	10
Repurchase agreements	2,015	–	(2,015)	–
<b>Total financial liabilities</b>	<b>2,335</b>	<b>(309)</b>	<b>(2,016)</b>	<b>10</b>

1. The financial collateral disclosed is limited to the amount of the related financial asset or related financial liability.

2025 Society	Gross amounts £m	Master netting arrangements £m	Financial collateral <sup>1</sup> £m	Net amount £m
<b>Financial assets</b>				
Derivative financial instruments	424	(251)	(172)	1
Reverse Repurchase Agreements	250	–	(250)	–
<b>Total financial assets</b>	<b>674</b>	<b>(251)</b>	<b>(422)</b>	<b>1</b>
<b>Financial liabilities</b>				
Derivative financial instruments	252	(251)	(1)	–
Repurchase agreements	1,358	–	(1,358)	–
<b>Total financial liabilities</b>	<b>1,610</b>	<b>(251)</b>	<b>(1,359)</b>	<b>–</b>

1. The financial collateral disclosed is limited to the amount of the related financial asset or related financial liability.

# Notes to the accounts continued

## 34. Offsetting financial assets and liabilities continued

2024 Group	Gross amounts £m	Master netting arrangements £m	Financial collateral <sup>1</sup> £m	Net amount £m
<b>Financial assets</b>				
Derivative financial instruments	1,084	(245)	(837)	2
Reverse Repurchase Agreements	–	–	–	–
<b>Total financial assets</b>	<b>1,084</b>	<b>(245)</b>	<b>(837)</b>	<b>2</b>
<b>Financial liabilities</b>				
Derivative financial instruments	305	(245)	(7)	53
Repurchase agreements	602	–	(602)	–
<b>Total financial liabilities</b>	<b>907</b>	<b>(245)</b>	<b>(609)</b>	<b>53</b>

1. The financial collateral disclosed is limited to the amount of the related financial asset or related financial liability.

2024 Society	Gross amounts £m	Master netting arrangements £m	Financial collateral <sup>1</sup> £m	Net amount £m
<b>Financial assets</b>				
Derivative financial instruments	1,083	(246)	(837)	–
Reverse Repurchase Agreements	–	–	–	–
<b>Total financial assets</b>	<b>1,083</b>	<b>(246)</b>	<b>(837)</b>	<b>–</b>
<b>Financial liabilities</b>				
Derivative financial instruments	254	(246)	(7)	1
Repurchase agreements	602	–	(602)	–
<b>Total financial liabilities</b>	<b>856</b>	<b>(246)</b>	<b>(609)</b>	<b>1</b>

1. The financial collateral disclosed is limited to the amount of the related financial asset or related financial liability.

For derivative financial assets, collateral received can be in the form of cash and UK Government investment securities. Where cash is received, it is included as a liability within Deposits from banks (note 24). Where UK Government investment securities are received, these are not recognised on the Balance Sheet, as the Group does not obtain the risks and rewards of ownership.

For derivative financial liabilities, collateral paid is in the form of cash and is included as an asset in Loans and advances to credit institutions.

For sale and repurchase agreements (repos), collateral provided is predominantly in UK Government investment securities with the remainder in cash. Again, cash paid is included as an asset in Loans and advances to credit institutions.

UK Government investment securities are not derecognised as the Group retains substantially all the risks and rewards of ownership.

Cash collateral held and cash collateral pledged are not restricted and are returned at the end of the contract.

## 35. Capital management

As at 31 December 2025, and throughout the year, the Group complied in full with the capital requirements that were in force. Further information on the Group's capital resources and capital management can be found in the Capital risk section of the Risk Management Report.

# Notes to the accounts continued

## 36. Related party transactions

The Group is controlled by Coventry Building Society registered in England and Wales, which is also considered to be the ultimate parent.

### Transactions with related undertakings

Transactions are entered into with related parties in the normal course of business. These include loans, deposits, and the payment and recharge of interest and administrative expenses. Where these charges are associated to Group subsidiaries, they are settled through the intercompany accounts.

Interest on outstanding loans and deposits accrues at a rate agreed between the Society and its subsidiaries in the normal course of business.

Loans and deposits payable by the Society to Group undertakings relate to amounts owing to the Society's structured entities, in accordance with the accounting policy set out in note 1. These intercompany balances have been presented within Other liabilities on the Society Balance Sheet.

	2025 £m	2024 £m
<b>Loans payable to the Society</b>		
Loans outstanding as at 1 January	17,583	17,668
Movement during the year	1,879	(85)
<b>Loans outstanding as at 31 December</b>	<b>19,462</b>	<b>17,583</b>
<b>Loans and deposits payable by the Society</b>		
Deposits outstanding at 1 January	1,546	1,231
Movement during the year <sup>1</sup>	125	315
<b>Deposits outstanding at 31 December</b>	<b>1,671</b>	<b>1,546</b>
<b>Net interest income</b>		
Interest receivable	546	555
Interest payable	(119)	(128)
<b>Total</b>	<b>427</b>	<b>427</b>
<b>Other income and expenses</b>		
Fees and expenses paid to the Society	53	52

1. Includes loans and deposits received from connected undertakings in respect of securitisation transactions during the year

### Transactions with key management

Transactions with key management are on the same terms and conditions applicable to members and other employees within the Group. The Board of directors is considered to be the only 'key management' for the purposes of the related party transactions disclosures under IAS 24 Related Party Disclosures. No director has any interest in the shares or debentures of any connected undertaking of the Society. See the Directors' Remuneration Report in the Governance section for information on directors' remuneration for 2025.

In accordance with Section 68 of the Building Societies Act 1986, the Society maintains a register of loans falling within Section 65 made to directors and connected persons. A statement containing requisite particulars of such transactions may be inspected by members at the Society's Annual General Meeting (AGM) or at the Principal Office of the Society during the period 15 days prior to the AGM.

	No. of directors and persons connected to them	Amount in relation to directors and persons connected to them	No. of directors and persons connected to them	Amount in relation to directors and persons connected to them
	2025 Number	2025 £m	2024 Number	2024 £m
<b>Loans and advances</b>				
Net movement	—	—	—	(0.1)
Balance outstanding	2	0.3	2	0.3
<b>Share and deposit accounts</b>				
Net movement	3	0.1	1	—
Balance outstanding	16	0.5	13	0.4

# Notes to the accounts continued

## 37. Cash flows from financing activities

For the purposes of the Statements of Cash Flows, debt securities in issue, subordinated liabilities and subscribed capital are classified as liabilities arising from financing activities. The table below provides a reconciliation of movements in liabilities arising from financing activities.

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
At 1 January	6,600	5,435	4,986	4,153
Recognised on acquisition	1,404	–	–	–
Cash flows:				
Net proceeds from issue of debt securities	1,701	1,824	1,201	1,324
Repayment of debt securities in issue	(1,232)	(598)	(850)	(430)
Interest paid on subordinated liabilities	(24)	–	(13)	–
Non-cash flows:				
Amortisation of premium/ discount on issue	6	5	6	5
Intercompany transfer	–	–	443	–
Accrued interest movements	12	12	5	12
Change in FVTPL	4	–	4	–
Foreign exchange movements	126	(78)	129	(78)
<b>At 31 December</b>	<b>8,597</b>	<b>6,600</b>	<b>5,911</b>	<b>4,986</b>

# Notes to the accounts continued

## 38. The acquisition of The Co-operative Bank Holdings p.l.c.

On 1 January 2025, the Society acquired the entire issued share capital of The Co-operative Bank Holdings p.l.c. (the ultimate holding company of The Co-operative Bank p.l.c.) for a total cash consideration of £745 million following receipt of regulatory approvals.

The Bank provides a range of banking products and services to both retail, business and commercial customers. As outlined further on page 13, the acquisition deepens the enlarged group's existing presence in mortgages and savings and extends the Society's propositions. The Society's Board believes that the acquisition of the Bank was in the best interests of the Society and its current and future members.

In accordance with IFRS 3, an assessment of the fair value of the net assets acquired and the cash consideration paid has been completed at the date of acquisition and is detailed below. The 12 month measurement period closed on 31 December 2025 and the fair values on acquisition are concluded.

	Book value as at 1 January 2025 £m	Fair value adjustments £m	Fair value as at 1 January 2025 £m
<b>Assets</b>			
Cash in hand and balances with the Bank of England	2,586	–	2,586
Loans and advances to credit institutions	173	–	173
Debt securities	1,637	–	1,637
Loans and advances to customers	20,373	31	20,404
Derivative financial instruments	216	–	216
Investments in equity shares	6	–	6
Current tax assets	7	–	7
Deferred tax assets	243	(26)	217
Intangible assets	110	143	253
Property, plant & equipment	52	4	56
Other assets	9	–	9
Prepayments and accrued income	36	–	36
Pension benefit asset	32	–	32
<b>Total assets</b>	<b>25,480</b>	<b>152</b>	<b>25,632</b>
<b>Liabilities</b>			
Deposits from banks	2,717	–	2,717
Customer accounts	19,971	5	19,976
Debt securities in issue	1,156	21	1,177
Hedge accounting adjustment	(21)	21	–
Derivative financial instruments	48	–	48
Accruals and deferred income	47	–	47
Other liabilities	82	–	82
Provisions for liabilities and charges	10	–	10
Pension benefit obligation	5	–	5
Subordinated liabilities	200	41	241
<b>Total liabilities</b>	<b>24,215</b>	<b>88</b>	<b>24,303</b>
<b>Net assets acquired</b>	<b>1,265</b>	<b>64</b>	<b>1,329</b>
Cash consideration paid			745
<b>Gain on acquisition</b>			<b>584</b>

The consideration was fully settled in cash on completion, subject to a small residual holdback which is payable subject to satisfactory conclusion of the closing accounts process which is due for conclusion later in 2026. £125 million of the total £745 million cash consideration is deferred and held in escrow for a period of 3 years from completion in line with the terms of the share purchase agreement.

The fair value of loans and advances to customers of £20,404 million was calculated using a discounted cash flow method, at an individual account or suitable segmented level taking into account interest, market and credit risk for the acquired loans. The gross contractual amount of the loans and advances receivable from the customers was £20,476 million. The best estimate of the amounts not expected to be collected was £29 million.

For other assets and liabilities held at amortised cost, suitable valuation techniques were used to assess fair value.

# Notes to the accounts continued

## 38. The acquisition of The Co-operative Bank Holdings p.l.c. continued

The main fair value adjustments determined and recognised by the Group on acquisition related to loans and advances to customers and treasury funding liability instruments. These adjustments are being written down over approximately 2.5 years for loans and advances to customers, representing the weighted average life of the acquired portfolio and over 1 - 4.5 years for the treasury funding liabilities, determined by the relevant maturity date.

Intangible assets recognised on acquisition relate to a core deposit intangible of £143 million. This relates to the value derived from access to a stable source of low cost, on-demand deposit balance funding when compared to the cost of alternative funding available to a typical market participant. The intangible asset represents the present value of the cost savings expected to be realised over the expected remaining useful life of the deposits and is being amortised over a life of five years.

Deferred tax at the rate of 28% has been recognised on all fair value adjustments arising.

Since 1 January 2025 (the date representing both the acquisition date and the start of the financial year), total income of £496 million and profit after tax of £49 million (excluding the gain on acquisition) has been included in the consolidated Income Statement for the year.

### Gain on acquisition

As the fair value of the identifiable net assets acquired were greater than the fair value of consideration paid, negative goodwill arises. For accounting purposes, this is considered a bargain purchase. The acquisition has resulted in a gain on acquisition of £584 million which is recognised and presented separately in the consolidated Income Statement as at the acquisition date. The purchase of the Bank resulted in a gain due to the macroeconomic conditions in the post financial crisis period and the surplus liquidity positions held by market participants, like the Society. Therefore the Society is in a better position to realise the fair value of the net assets acquired compared with the Seller.

### Acquisition costs

Acquisition costs of £28 million have been incurred by the Society in relation to the acquisition. Of this, £22 million was recognised within acquisition and integration-related costs in the financial year ended 31 December 2024. A further £6 million of costs arose on completion in the 2025 reporting period.

### Net cash on acquisition

On acquisition of the Bank, the Group acquired £2,586 million of cash balances. This was offset by the consideration paid of £745 million, resulting in a net cash inflow of £1,841 million.

# Other Information

In this section, you will find our Annual Business Statement and glossary of terms

Annual Business Statement  
Glossary

198  
201



# Annual Business Statement

For the year ended 31 December 2025

## 1. Statutory percentages

	2025	2024	Statutory limits
	%	%	%
Lending limit	3.1	2.7	25.0
Funding limit	38.8	16.7	50.0

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 the business assets not in the form of loans fully secured on residential property and is calculated as  $(X-Y)/X$  where:

X = business assets, being the total assets of the Group plus loan impairment less liquid assets, intangible assets and property, plant and equipment. The value of X used is the value at 31 December 2025.

Y = the principal value of, and interest accrued on, loans owed to the Group which are fully secured on residential property. The value of Y used is the value at 31 December 2025.

The funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals and is calculated as  $(X-Y)/X$  where:

X = shares and borrowings, being the aggregate of:

- I. The principal value of, and interest accrued on, shares in the Society.
- II. The principal value of, and interest accrued on, the amounts deposited with the Society or any subsidiary undertaking, by banks, credit institutions and other customers.
- III. The principal value of, and interest accrued on, the amounts of debt securities of the Society or any subsidiary undertaking.

Y = the principal value of, and interest accrued on, shares in the Society held by individuals other than bare trustees (or, in Scotland, simple trustees) for bodies corporate or for persons that include bodies corporate.

## 2. Other percentages

	2025	2024
	%	%
As a percentage of shares and borrowings:		
Gross capital	5.51	6.16
Free capital	5.07	5.99
Liquid assets	16.7	17.9
As a percentage of mean total assets:		
Profit for the financial year	0.91	0.39
Management expenses	0.95	0.57
Net profit as a percentage of total Balance Sheet	0.92	0.39

Shares and borrowings represents the total of shares, customer accounts deposits from banks, other deposits and debt securities in issue.

Gross capital represents the aggregate of reserves, other equity instruments, subordinated liabilities and subscribed capital.

Free capital represents the aggregate of gross capital and collective impairment less intangible assets and property, plant and equipment.

# Annual Business Statement continued

## 3. Principal Office

Coventry Building Society is a building society, incorporated and domiciled in the United Kingdom. The address of the Principal Office is: Coventry House, Harry Weston Road, Binley, Coventry CV3 2TQ.

## 4. Information relating to directors at 31 December 2025

Name (Date of birth)	Occupation	Date of appointment as a director of the Society	Other directorships and appointments
Iraj Amiri (February 1954)	Non-Executive Director	28.06.2018	AON UK Limited Eurocell plc The Co-operative Bank p.l.c. The Co-operative Bank Finance p.l.c. The Co-operative Bank Holdings p.l.c.
Stephen Hughes (May 1972)	Chief Executive	20.04.2020	Godiva Mortgages Limited ITL Mortgages Limited BSA Council The Money and Pension Service (Member) The Pennies Foundation (Member) Financial Conduct Authority Practitioner Panel (Member) The Co-operative Bank p.l.c. The Co-operative Bank Finance p.l.c. The Co-operative Bank Holdings p.l.c.
Joanne Kenrick (September 1966)	Non-Executive Director	06.11.2017	Dwr Cymru Cyfyngedig Glas Cymru Holdings Cyfyngedig Rhapsody Court Freehold Limited Sirius Real Estate Ltd Vitality Health Limited Vitality Life Limited Vitality Corporate Services Limited Discovery Holdings Europe Limited The Co-operative Bank p.l.c. The Co-operative Bank Finance p.l.c. The Co-operative Bank Holdings p.l.c.
Jane Leach (May 1966)	Non-Executive Director	03.10.2025	PayPal UK Limited Jupiter Unit Trust Managers Limited American International Group UK Limited Lucy Faithfull Foundation
Caroline Marsh (December 1963)	Non-Executive Director	03.01.2025	Another Lens LLP The Co-operative Bank p.l.c. The Co-operative Bank Finance p.l.c. The Co-operative Bank Holdings p.l.c.
Shamira Mohammed (November 1968)	Non-Executive Director	01.05.2019	Pezula Limited
Brendan O'Connor (June 1965)	Non-Executive Director	18.01.2021	Ford Credit Europe Bank plc The Co-operative Bank p.l.c. The Co-operative Bank Finance p.l.c. The Co-operative Bank Holdings p.l.c.

# Annual Business Statement continued

## 4. Information relating to directors at 31 December 2025 continued

Name (Date of birth)	Occupation	Date of appointment as a director of the Society	Other directorships and appointments
Mark Parker (March 1965)	Non-Executive Director	01.01.2025	Parkers Consulting Group Limited Talkbiznow Limited Elixirr Consulting Limited (advisory role) The Co-operative Bank p.l.c. The Co-operative Bank Finance p.l.c. The Co-operative Bank Holdings p.l.c.
Iain Plunkett (May 1971)	Non-Executive Director	01.07.2024	Citi Group Global Markets Limited Two Viewbank Limited
Lee Raybould (March 1973)	Chief Financial Officer	06.04.2021	Godiva Mortgages Limited ITL Mortgages Limited Mortgage Agency Services Number One Limited Mortgage Agency Services Number Two Limited Mortgage Agency Services Number Four Limited Mortgage Agency Services Number Five Limited Mortgage Agency Services Number Six Limited Platform Funding Limited
Martin Stewart (September 1966)	Non-Executive Director	01.09.2018	Clayton Stewart Properties Limited Clayton Stewart Limited Northern Bank Limited Independent Football Regulator Expert Panel (Member) The Co-operative Bank p.l.c. The Co-operative Bank Finance p.l.c. The Co-operative Bank Holdings p.l.c.
David Thorburn (January 1958)	Non-Executive Director	28.04.2022	None

Documents may be served on the above named directors at: Coventry Building Society, Harry Weston Road, Binley, Coventry, CV3 2TQ.

The Society has entered into service contracts with the following directors: Stephen Hughes (Chief Executive); and Lee Raybould (Chief Financial Officer). These are terminable by the individual on six months' notice and by the Society on one year's notice.

# Glossary

## Alternative Performance Measures

The Society reports its results using a number of financial measures which are not driven by accounting standards (non-IFRS measures). These measures are used to understand our performance and are used internally when assessing the Group's results.

Measure	Definition	Calculation
<b>Underlying profit</b>	Underlying profit excludes all of the accounting impacts of acquiring the Bank, including day one acquisition, accounting and related unwinds, reset of accounting policies on the acquired assets and liabilities and related acquisition and integration costs. Underlying performance is considered to be a better measure of core business performance.	n/a
<b>Cost to income ratio</b>	A measure of costs relative to income more generally used by banks. This ratio will be impacted by significant changes in interest rates or widening margins.	Administrative expenses, depreciation and amortisation as a percentage of total income.
<b>Member value</b>	This measure is widely used across the building society sector.	The Society's average month end savings rate compared to the CACI savings database for market average rate for savings accounts, excluding current accounts and offset savings.
<b>Net interest margin</b>	A measure of profitability which is used throughout the building society sector.	Net interest income as a percentage of average total assets. Net interest income is the difference between interest receivable on assets and interest payable on liabilities.

## Glossary

The following glossary defines terminology within the Annual Report & Accounts to assist the reader and to facilitate comparison with publications by other institutions:

<b>Additional Tier 1 (AT 1) capital</b>	Capital that meets certain criteria set out in CRD V. In particular, the criteria require that upon the occurrence of a trigger event, the AT 1 capital instrument converts to a form of Common Equity Tier 1 capital or the principal is written down on a permanent basis; or grandfathered instruments such as Permanent Interest Bearing Shares (PIBS).
<b>Arrears</b>	The financial value of unpaid obligations, which arise when contractual payments are not paid as they fall due.
<b>Bank</b>	The group of companies of which the ultimate parent company is The Co-operative Bank Holdings p.l.c. and the main trading entity is The Co-operative Bank p.l.c..
<b>Basel 3.1</b>	The Basel Committee's final implementation of its Basel III Banking Supervision reforms, published in December 2017, addressing credit risk and operational risk. The proposal will update the risk weighted asset calculation and improve comparability across firms and is now effective from January 2027.
<b>Basis point</b>	One hundredth of a percent (0.01 percent). Used when quoting movements in interest rates and yields on securities.
<b>Board</b>	Represents the Group and Society Board.
<b>Bounce Bank Loan Scheme (BBLs)</b>	Scheme brought in during the pandemic to help small and medium size entities borrow between £2,000 and £50,000 at low interest rates, guaranteed by the Government.
<b>Buy to let mortgage</b>	A mortgage secured on a residential property that is rented out to tenants.
<b>Capital Conservation Buffer (CCoB)</b>	A CRD V risk adjusted capital requirement for all banks that can be used to absorb losses whilst avoiding breaching minimum capital requirements.
<b>Capital requirements</b>	Amount of capital required to be held by the Group to cover the risk of losses and to protect against excessive leverage. The level is set by regulators and the firm's own assessment of its risk profile.
<b>Capital Requirements Regulation and Capital Requirements Directive V (CRD V)</b>	CRD V is the European Union legislation (part regulation and part directive), which came into force to implement Basel III, revising the capital requirements framework and introducing liquidity requirements, which regulators use when supervising firms.

# Glossary continued

<b>Capital resources</b>	Capital comprising the general reserve, fair value through other comprehensive income reserve, eligible Additional Tier 1 capital less all required regulatory adjustments.
<b>Collateral</b>	Security pledged by the borrower to the lender in case of default.
<b>Common Equity Tier 1 (CET 1)</b>	Common Equity Tier 1 capital comprises general reserve and the fair value through other comprehensive income reserve, less regulatory deductions. Common Equity Tier 1 must absorb losses on a going concern basis. The CET 1 ratio is calculated as CET 1 capital as a percentage of risk weighted assets.
<b>Conduct risk</b>	The risk that the Group's behaviour and decision making fails to deliver good customer outcomes.
<b>Consumer Price Index (CPI)</b>	An index that measures the average change in price over time of a UK-based market basket of consumer goods and services.
<b>Contractual maturity</b>	The date in the terms of a financial instrument on which the last payment or receipt under the contract is due for settlement.
<b>Core Capital Deferred Shares (CCDS)</b>	A form of Common Equity Tier 1 (CET 1) capital. The Society's Perpetual Capital Securities (PCS) convert into CCDS.
<b>Coronavirus Business Interruption Loan Scheme (CBILS)</b>	Scheme brought in to help small and medium size entities access loans and other finance up to £5 million, 80% guaranteed by the Government.
<b>Countercyclical Buffer (CCyB)</b>	A CRD V risk adjusted capital requirement for all banks that is varied over the financial cycle to match the resilience of the banking system to the scale of risks faced.
<b>Countercyclical Leverage Buffer (CCLB)</b>	A leverage capital requirement under the UK leverage regime that is set at 35% of the corresponding risk adjusted Countercyclical Buffer (CCyB).
<b>Covered bonds</b>	Debt securities that are backed by both the resources of the issuer and a portfolio of mortgages that are 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.
<b>Credit risk</b>	The risk of loss to the Group from members and customers or wholesale counterparties failing to meet their contractual payments in full and/or on time. This covers retail, commercial and treasury credit risk and is a principal risk of the Group.
<b>Credit valuation adjustment</b>	An adjustment to the valuation of financial instruments held at fair value to reflect the creditworthiness of the counterparty.
<b>Debt securities</b>	Transferable instruments creating or acknowledging indebtedness of credit institutions, public bodies or other undertakings.
<b>Debt securities in issue</b>	Liabilities of the Group that are transferable by external investors that operate within the global financial markets.
<b>Defined benefit obligation/surplus</b>	The present value of expected future payments required to settle the obligations of a defined benefit pension scheme resulting from past employee service.
<b>Derivative financial instrument (swap)</b>	A contract or agreement that derives its value or cash flows from changes in an underlying index such as an interest rate, foreign exchange rate or market index. The most common type of derivative instruments are interest rate swaps.
<b>Effective Interest Rate (EIR)</b>	The rate of interest earned over the life of an instrument that is equivalent to the discounted rate of projected cash flows of the instrument, adjusted for compounding.
<b>Encumbered assets</b>	Assets used to secure liabilities or otherwise pledged. This excludes loans and advances to customers that, although technically encumbered, are held in respect of undrawn self-issued notes under the Group's covered bond and securitisation programmes.
<b>Enterprise Risk Management Framework (ERMF)</b>	A Board approved framework that provides the context, guidance and principles needed for cohesive risk management activity across the Society and its subsidiaries.
<b>Economic Value</b>	Measure of the change in the net present value of interest rate sensitive instruments over their remaining life resulting from a 100 basis points (1%) (EV100), or 200 basis points (2%) (EV200) parallel shock to the yield curve.

# Glossary continued

<b>Expected credit loss (ECL)</b>	The present value of all cash shortfalls over the expected life of a financial instrument. The term is used for the accounting for impairment provisions under the IFRS 9 standard. ECLs may arise over a 12 month or lifetime basis.
<b>Expected loss</b>	A calculation under the IRB approach to estimate the potential losses on current exposures due to expected defaults over a 12 month time period.
<b>Exposure</b>	The quantified potential for loss that might occur as a result of a risk occurring.
<b>Exposure at default (EAD)</b>	A calculation of the amount expected to be outstanding at the time of default.
<b>Fair value</b>	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.
<b>Fair value through other comprehensive income (FVOCI)</b>	Financial assets held at fair value on the Balance Sheet with changes in fair value recognised through other comprehensive income.
<b>Fair value through profit and loss (FVTPL)</b>	Financial assets held at fair value on the Balance Sheet with changes in fair value recognised through the Income Statement.
<b>Financial Conduct Authority (FCA)</b>	A statutory body responsible for the conduct of business regulation and supervision of UK financial institutions in the UK.
<b>Financial Ombudsman Service</b>	The Financial Ombudsman Service provides an independent and impartial service to resolve individual complaints that consumers and financial institutions have been unable to settle themselves.
<b>Forbearance</b>	Forbearance takes place when a concession, which can be temporary or permanent, is made on the contractual terms of a loan in response to the borrower's financial difficulties.
<b>Free capital</b>	The aggregate of gross capital and collective impairment less intangible assets and property, plant and equipment.
<b>General reserve</b>	The general reserve is the accumulation of historical and current year profits and includes remeasurements of the defined benefit pension scheme and distributions to holders of Perpetual Capital Securities (net of tax).
<b>Gross capital</b>	The aggregate of reserves, other equity instruments, subscribed capital and subordinated liabilities.
<b>Gross Domestic Product (GDP)</b>	A measure that includes the value created through the production of goods and service in a national economy.
<b>House Price Index (HPI)</b>	An index that captures changes in house prices monthly or annually, using data from UK-based residential housing transactions.
<b>Impaired loans</b>	Impaired loans are defined as those which are defaulted loans in IFRS 9 stage 3.
<b>Interest rate risk</b>	Interest rate risk arises from the different interest rate characteristics of the Group's lending and deposit products and from other financial instruments. The Group is subject to the risk that changes in interest rates will cause material variations in earnings because of differences between interest rates received and paid on mortgages, deposits and financial instruments.
<b>Internal Capital Adequacy Assessment Process (ICAAP)</b>	The Group's own assessment of the amount of capital that it needs to hold to support all relevant current and future risks. This assessment includes determination of a number of capital buffers to be held in case of potential future economic stress, and provides confirmation that the Group has appropriate processes in place to ensure compliance with regulatory requirements.
<b>Internal Liquidity Adequacy Assessment Process (ILAAP)</b>	The Group's own assessment of the liquidity resources that are required to remain within the risk tolerances it has set. This will include an evaluation of potential stresses based on regulatory benchmarks and on Group-specific tests.
<b>Internal Ratings Based (IRB) approach</b>	An advanced approach to measuring capital requirements in respect of credit risk under Pillar 1. The IRB approach may only be used with permission from the PRA.
<b>ISDA</b>	International Swaps and Derivatives Association is the global trade association for over-the-counter derivatives and providers of the industry-standard documentation for derivative transactions.
<b>Leverage ratio</b>	A calculation as part of CRD V, which measures the relationship between eligible Tier 1 capital and exposures to on and off-balance sheet items. UK institutions are subject to the PRA's interpretation of the leverage ratio - see UK leverage ratio.

# Glossary continued

<b>Liquid assets</b>	This comprises cash in hand, balances with the Bank of England, debt securities (including Government investment securities (gilts)), loans to credit institutions and other liquid assets.
<b>Liquidity and funding risk</b>	Liquidity risk is the risk that the Group has insufficient funds to meet its obligations as and when they fall due. Funding risk is the inability to access funding markets or to only do so at excessive cost and/or liquidity risk. Liquidity and funding risk is a principal risk of the Group.
<b>Loan to value (LTV)</b>	The amount of mortgage loan as a percentage of the value of the property. Average loan to value is either a simple average, or balance weighted. Indexed loan to value is calculated on the basis of the latest property valuation being adjusted by the relevant house price index movement since that date.
<b>Loss given default (LGD)</b>	A parameter used to estimate the difference between exposure at default (EAD) and the net amount of the expected recovery expressed as a percentage of EAD.
<b>Management expenses</b>	The aggregate of administrative expenses, depreciation and amortisation.
<b>Market risk</b>	Market risk is defined as the risk of a reduction in Group earnings and/or value resulting from adverse movements in financial markets.
<b>Medium term notes</b>	Securities offered by a company to investors, through a dealer, across a range of maturity periods.
<b>Member</b>	A person or individual who holds a share in the Society or has a mortgage loan with the Society. Deposit or lending customers of subsidiary entities are not members.
<b>Minimum Requirement for own funds and Eligible Liabilities (MREL)</b>	A requirement under the Bank Recovery and Resolution Directive which requires deposit takers to hold minimum levels of capital plus debt eligible for bail-in.
<b>Model risk</b>	The risk that an ineffective model or incorrectly interpreted model output leads to a loss, reputational damage or regulatory censure.
<b>Mortgage backed securities (RMBS)</b>	Asset backed securities that represent interests in a group of mortgages which give the investor the right to cash received from future mortgage payments of both principal and interest. These can also be known as Residential mortgage backed securities (RMBS) where the underlying security is a residential mortgage.
<b>Net interest income</b>	The difference between interest receivable on assets and similar income and interest paid on liabilities and similar charges.
<b>Net interest margin</b>	Net interest income as a percentage of average total assets.
<b>Net Stable Funding Ratio (NSFR)</b>	A ratio which assesses the amount of stable funding in place as a proportion of the on and off-balance sheet funding requirements of an institution.
<b>Operational risk</b>	The risk of loss arising from inadequate internal processes, systems or people, or from external events.
<b>Other Systemically Important Institutions (O-SII) Buffer</b>	Buffer set for ring-fenced banks and large building societies to reduce their probability of failure or distress, reducing the risk of disruption to the supply of credit in the UK economy.
<b>Owner-occupier mortgage</b>	A mortgage on residential property that is to be occupied by the borrower.
<b>Past due</b>	A financial asset such as a loan is past due when the counterparty has failed to make a payment when contractually due.
<b>Permanent Interest Bearing Shares (PIBS)</b>	Unsecured, perpetual deferred shares of the Society offering a fixed coupon. Also defined as subscribed capital.
<b>Perpetual Capital Securities (PCS)</b>	Securities that pay a non-cumulative coupon at the discretion of the Society and qualify as Additional Tier 1 capital.
<b>Pillar 1/2/2A/3</b>	Components of the Basel capital framework. Pillar 1 covers the minimum requirement, Pillar 2/2A covers capital requirement of risks not covered in Pillar 1 and Pillar 3 covers disclosures.
<b>PRA buffer</b>	A buffer to ensure that financial institutions that are more at risk of loss than the system in aggregate have additional capital buffers to reflect that risk.
<b>Post Model Adjustment (PMA)</b>	A PMA is applied when the Group considers that a modelled output is not sufficiently accurate or complete due to there being potential for additional risks that have not been identified or that cannot be adequately modelled.
<b>Probability of default (PD)</b>	An estimate of the probability that a borrower will default on their credit obligations over a fixed time period. With respect to impairment provisions under IFRS 9, 12 month ECLs use 12 month PDs, whilst a lifetime ECL uses the estimated PD over the remaining contractual life of the loan.

# Glossary continued

<b>Principal risk</b>	Principal risks are those risks to which the Group's business model is inherently exposed and those that the Group believes could materially compromise its ability to meet its strategic objectives.
<b>Prudential Regulation Authority (PRA)</b>	The statutory body responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. The PRA is a subsidiary of the Bank of England.
<b>Purchased or originated credit impaired (POCI)</b>	Purchased or originated financial assets that are credit-impaired on initial recognition.
<b>Retail deposits</b>	Includes Shares and other customer deposits made by individuals.
<b>Reverse stress test</b>	A regulatory stress test that requires a firm to assess scenarios and circumstances that would render its business model unviable, thereby identifying potential business vulnerabilities.
<b>Risk appetite</b>	An articulation of the level of risk that the Group is willing to accept in order to safeguard the interests of the Group's members and customers, whilst also achieving its business objectives.
<b>Risk weighted assets (RWAs)</b>	The value of assets, after adjustment to reflect the degree of risk they represent in accordance with the relevant capital rules.
<b>Sale and repurchase agreement (repo)</b>	An agreement to sell a financial security together with a commitment by the seller to repurchase the asset at a specified price on a given date. In substance, this forms a secured loan, with the difference between the purchase price and repurchase price being the interest rate.
<b>Securitisation</b>	A pool of loans used to back the issuance of new securities. The loans are transferred to a structured entity which then issues securities (RMBS) backed by the assets. The Group has used residential mortgages as the loan pool for securitisation purposes.
<b>Shares</b>	Funds deposited by a person in a retail savings account with the Society. Such funds are recorded as liabilities of the Society. These are also referred to as retail deposits.
<b>Shares and borrowings</b>	The total of shares, customer accounts, deposits from banks and debt securities in issue.
<b>Significant increase in credit risk (SICR)</b>	A significant increase in credit risk on a financial asset is judged to have occurred when an assessment, using quantitative and qualitative factors, identifies at a reporting date that the credit risk has increased significantly since the asset was originally recognised.
<b>SONIA (Sterling Overnight Interbank Average)</b>	A rate reflecting actual overnight funding rates, at a weighted average overnight deposit rate for each day.
<b>Stage 1</b>	Assets that under IFRS 9 have not experienced a significant increase in credit risk since the asset was originally recognised on the Balance Sheet are classed as stage 1.
<b>Stage 2</b>	Assets that have experienced a significant increase in credit risk since initial recognition under IFRS 9 are classed as stage 2.
<b>Stage 3</b>	Assets identified as in default and considered credit impaired under IFRS 9 are classed as stage 3.
<b>Standardised approach</b>	The basic method used to calculate capital requirements for credit and operational risk. In this approach, the risk weighting used in the capital calculation is determined by specified percentages.
<b>Strategic risk</b>	Strategic risk is the risk that changes to business model or macroeconomic, geopolitical, regulatory or other factors may lead to the business model, strategy or Strategic Plan becoming inappropriate. This includes the risk of an overly ambitious Strategic Plan as well as unforeseen market, consumer, competitor or regulatory changes.
<b>Stress testing</b>	Testing undertaken to provide an understanding of the Group's resilience to internal and external shocks.
<b>Structured entity</b>	An entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are consolidated when the substance of the relationship indicates control.

# Glossary continued

<b>Subordinated liabilities</b>	A form of Tier 2 capital that is unsecured. Subordinated notes rank equally with each other and behind all other creditors of the Society and the claims of Shareholding Members (other than holders of Permanent Interest Bearing Shares and Perpetual Capital Securities) as to principal and interest.
<b>Subscribed capital</b>	See Permanent Interest Bearing Shares.
<b>Term Funding Scheme with additional incentives for SMEs (TFSME)</b>	A scheme (now closed to new drawings) launched by the Bank of England designed to boost lending to households and businesses by providing term funding to banks and building societies participating in the scheme at rates close to Bank Rate.
<b>Tier 1 capital</b>	A component of regulatory capital comprising Common Equity Tier 1 and Additional Tier 1 capital.
<b>Tier 2 capital</b>	A component of regulatory capital comprising qualifying subordinated debt and eligible collective impairment allowances.
<b>Total Capital Requirement (TCR)</b>	The minimum amount of capital the Group should hold as set by the PRA under Pillar 1 and Pillar 2A and informed by the Internal Capital Adequacy Assessment Process (ICAAP).
<b>UK leverage ratio</b>	A ratio prescribed by the PRA based on the CRR leverage ratio but modified to restrict the amount of AT 1 capital that can be included in Tier 1 capital and to exclude eligible central bank holdings from leverage ratio exposures.
<b>Unencumbered assets</b>	Assets readily available as collateral to secure funding. This includes loans and advances to customers that, although technically encumbered, are held in respect of undrawn self-issued notes under the Group's covered bond and securitisation programmes and are therefore readily available as collateral to secure funding or to pledge as collateral against margin calls.
<b>Watchlist</b>	A list of counterparties drawn up by the Group once it has elected to closely monitor the performance of loans subject to significant credit risk.
<b>Wholesale funding</b>	Funding received from external counterparties that operate within the global financial markets (for example, insurance companies, pension funds, large businesses, financial institutions and sovereign entities).
<b>Write off</b>	To write off a financial asset when it has exhausted all practical recovery efforts and it is concluded that there is no reasonable expectation of recovery.

# Glossary continued

## Glossary of terms used in reference to climate risk

<b>Climate Biennial Exploratory Scenario exercise (CBES)</b>	Bank of England initiative to explore the financial risks posed by climate change. The exercise will test the resilience of the current business models of the largest banks, insurers and the financial system to climate-related risks and therefore the scale of adjustment that will need to be undertaken in coming decades for the system to remain resilient.
<b>Climate-related risks - physical</b>	The physical risks arising from the direct physical impacts of climate change. Physical risks from climate change arise from a number of factors, and relate to specific weather events (such as heatwaves, floods and storms) and longer-term shifts in the climate (such as changes in precipitation, extreme weather variability, sea level rise and rising mean temperatures).
<b>Climate-related risks - transition</b>	The transition risks arising from the transition to a low-carbon economy. Transition risks arise from the process of adjustment towards a Net-Zero Carbon economy. The UK Government has set a target of achieving Net Zero greenhouse gas emissions by 2050 to respond to the challenge climate change poses. A range of factors influence this risk, including: climate-related developments in policy and regulation, the emergence of disruptive technology or business models, shifting sentiment and societal preferences and the potential for 'stranded assets' to be created.
<b>Climate-related opportunities</b>	Refers to the potential positive impacts that climate change may have on the Group's business model and the opportunities this may present, for example, by growing our lending by supporting borrowers who make energy efficiency improvements on their homes.
<b>Energy Performance Certificate (EPC)</b>	A report that assesses the energy efficiency of a property and recommends specific ways in which the efficiency of a property could be improved. Certification is graded from A (most efficient) to G (least efficient).
<b>Greenhouse gas (GHG) emissions</b>	GHGs are atmospheric gases that absorb and emit radiation within the thermal infrared range and that contribute to the greenhouse effect and global climate change. Many different GHGs are produced as a result of human activities. The seven gases mandated under the Kyoto Protocol and to be included in national inventories under the United Nations Framework Convention on Climate Change (UNFCCC) - carbon dioxide (CO <sub>2</sub> ), methane (CH <sub>4</sub> ), nitrous oxide (N <sub>2</sub> O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF <sub>6</sub> ) and nitrogen trifluoride (NF <sub>3</sub> ).
<b>ISO 14064-1 certification</b>	An international standard that quantifies the reporting of greenhouse gas (GHG) emissions and the verification.
<b>Partnership for Carbon Accounting Financial (PCAF)</b>	Global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas emissions associated with their loans and investments.
<b>Representative Concentration Pathway (RCP)</b>	A method for capturing assumptions about climate change and global mean temperature increases over the 21st century. Each pathway results in a different range of global mean temperature, which helps the Group to understand how its assets will perform under a range of scenarios.
<b>Scope 1 emissions</b>	Scope 1 emissions are direct greenhouse gas (GHG) emissions that occur from our own operations (e.g. our company vehicles, gas usage & fugitive emissions).
<b>Scope 2 emissions</b>	Scope 2 emissions are indirect GHG emissions associated with the purchase of our electricity.
<b>Scope 3 emissions</b>	Scope 3 emissions are the result of activities from assets not owned or controlled by the Society, but that the Society indirectly impacts in its value chain. Scope 3 emissions include all sources not within an organisation's Scope 1 and 2 boundary and can be separated into the following two categories: <ul style="list-style-type: none"> <li>• <b>Upstream Scope 3 emissions:</b> business travel by means not owned or controlled by the Society, waste disposal and purchased goods &amp; services;</li> <li>• <b>Downstream Scope 3 emissions:</b> the emissions from the properties financed through the Society's operations - i.e. our mortgage customers.</li> </ul>
<b>Streamlined Energy and Carbon Reporting (SECR)</b>	SECR regulation is a crucial element of the UK's climate strategy. It aims to improve energy efficiency and reduce carbon emissions across large businesses.
<b>Task Force for Climate Related Financial Disclosures (TCFD)</b>	The Financial Stability Board created the TCFD to improve the quality and quantity of reporting of climate related financial information, including the concentration of carbon related assets within the financial sector and the financial system's exposure to climate related risks.

