

Annual Report and Accounts

for the year ended
31st December 2025

Nottingham
Building Society



Key Highlights



6,668

New mortgage customers
(2024: 9,166) ▼



£883m

Gross new lending
(2024: £1,215m) ▼



£4.3bn

Total mortgage assets
(2024: £4.2bn) ▲

Delivering a resilient performance while strengthening our foundations for sustainable, long-term growth



4.8 ★

Trustpilot score
(2024: 4.9) ▼

In 2025, we maintained excellent member service, whilst moderating lending to focus on investment to strengthen resilience for future growth



1.62%

Net interest margin
(2024: 1.72%) ▼



11bps

ECL coverage ratio
(2024: 12bps) ▲



£164.3m

Total interest paid to savers
(2024: £154.6m) ▲



64.3%

Net promoter score
(2024: 61.5%) ▲

Delivering increased value for our members, with higher savings balances and greater interest paid throughout the year



£4.6bn

Total savings balance
(2024: £4.4bn) ▲

Another record year of giving back, as colleagues continued to increase their volunteering commitment across our communities



3,938hrs

Colleague volunteering
(2024: 3,522) ▲



£16.7m

Profit before tax
(2024: £13.9m) ▲



£20.9m

Underlying profit before tax
(2024: £22.8m) ▼

▲ Positive movement ▼ Adverse movement ▶ Stable



14.1%

CET1 ratio
(2024: 13.7%) ▲



5.1%

Leverage ratio
(2024: 4.9%) ▲



236%

Average LCR
(2024: 172%) ▲

Contents

4	Chair's Statement	83	Income Statement
7	Chief Executive's Review	84	Statements of Comprehensive Income
12	Strategic Report	85	Statements of Financial Position
28	Stakeholder Engagement Report	86	Statements of Changes in Members' Interests
29	Corporate Responsibility Report	87	Cash Flow Statements
32	Sustainability Report	88	Notes to the Accounts
38	Your Board of Directors	133	Annual Business Statement
40	Directors' Report	135	Glossary
45	Nomination Committee Report		
47	Risk Management Report		
56	Board Risk Committee Report		
59	Corporate Governance Report		
64	Board Audit Committee Report		
67	Directors' Remuneration Report		
73	Independent Auditor's Report		
82	Financial Statements		

Chairman's Statement

Chairman's Introduction 2025

2025 has been a year of consolidation and intentional enhancement for Nottingham Building Society ("NBS" or "the Society") as we continued to embed the foundations laid in recent years. Against this backdrop, I am pleased to introduce the Annual Report and Accounts for the year ended 2025.

In 2026, focus moves from strengthening our core foundations to preparing the organisation for growth.

Staying resilient amid shifting global tides

During 2025, global uncertainty increased as markets responded to new US administration policies and tariff developments as well as ongoing wars which played out both physically and technologically. Domestically, the 2025 Autumn Budget added further unpredictability, contributing to a more subdued mortgage market.

Despite these challenges, NBS delivered a resilient performance, with total assets reaching £5.4bn. Entering the year on the back of two consecutive years of strong double-digit growth, the Society targeted lower levels of lending in 2025. This has allowed us to consolidate the substantial technology and service investments made to date, ensuring we remain well positioned for sustainable, long-term growth.

During 2025, we operated in a highly competitive savings market, with funding costs continuing to reprice and mortgage demand remaining subdued. Against that backdrop, we remained disciplined in managing margins, so that we could reward savers fairly while ensuring our lending remained responsible and sustainable for borrowers. In practice, this meant continuing to offer competitive savings rates and a secure home for members' deposits, while applying prudent pricing and underwriting standards across our mortgage book. The strength of this approach is evident in our exceptionally low arrears levels, underpinned by the resilience of our members and the care we take in lending decisions.



Robin Ashton Chairman



We also remained mindful of the need to manage our capital prudently, and our disciplined approach this year reflects the importance of protecting our capital buffers whilst investing in core capabilities and maintaining strategic momentum. Alongside navigating the external pressures, we continued to progress the long-term improvements that will define the Society we aim to be in the years ahead.

Building the modern mutual our members deserve

Putting members first remains central to our role as a mutual. Throughout 2025, we continued to embed the Financial Conduct Authority's ('FCA') Consumer Duty requirements across our governance, culture and decision-making. Our commitment to delivering good outcomes for savers and borrowers is unwavering.

To achieve that, our focus moved towards building on and maintaining a robust, secure, and flexible operating model that is essential for the future of the Society. Throughout the year, the Board oversaw major investment in NBS's cyber security, resilience and core banking capability. Good progress was made in 2025 and will continue in 2026 in upgrading our core banking platform and laying the foundations for our future cloud and data architecture.

Alongside this, we continued the rollout of our refreshed brand identity, following its launch in late 2024. The opening of our flagship branch on Clumber Street, the busiest high street in Nottingham, and the rebranding of branches in St Albans, Arnold and West Bridgford has strengthened our presence on the high street and supported increased recognition across our digital estate. The process of rebranding our branches will continue in 2026, starting with our branches in North Hykeham and Mansfield, and beyond.

Much of the work we have undertaken this year ensures we have the agility, resilience, and capability required to achieve that and to operate successfully in a sector undergoing rapid change and a period of consolidation.

Lastly, we also continued supporting members affected by the Philips Trust Corporation ('PTC'), working closely with the administrators as the process enters its final stages.

Making a measurable difference in our communities

Whilst much of our transformation has focused on strengthening our foundations, our purpose as a mutual extends far beyond systems and processes. I am proud of the meaningful difference NBS continued to make in our communities in 2025. Our ongoing partnerships with Emmanuel House, Shelter, and ThinkForward reflect our commitment to tackling homelessness, improving social mobility, and supporting young people across Nottinghamshire.

Colleague volunteering reached 3,938 hours, reflecting another record-breaking year. Within the Society, engagement scores remained resilient, demonstrating the passion and dedication our colleagues bring to their roles. We were also delighted that the Society was shortlisted for the Community Impact Award at the East Midlands Business of the Year Awards in October 2025, a recognition that belongs entirely to our colleagues and the lengths they have gone to in order to make an impact for our members and wider communities.

Looking ahead with confidence and caution, but also purpose

As we look to 2026 and beyond, the Board recognises the need for optionality and the ability to respond at pace as opportunities and challenges emerge whilst also retaining a real focus on the strategy.

The outlook for the mutual sector remains encouraging, and we are working closely with the Building Societies Association ('BSA') in terms of the government agenda to double the size of the mutual sector. There are tailwinds which also make us optimistic with strong housing demand and growing consumer appreciation of the value mutuals offer.

Further to this, we welcomed the joint statement from the FCA and Prudential Regulation Authority ('PRA') outlining their commitment to doubling the size of the mutuals sector and introducing measures to support long-term growth. Initiatives such as the new FCA Scale-up Unit and the Mutual Societies Development Unit, alongside broader simplification of the prudential framework, signal a more supportive policy environment for building societies. This regulatory direction aligns strongly with our purpose and reinforces the role mutuals play in promoting financial resilience, inclusion and consumer trust.

However, we are not immune to the challenges ahead, which include evolving regulatory requirements. This includes the introduction of the new Small Domestic Deposit Taker ('SDDT') framework by the PRA and Bank of England ('BoE'), designed to simplify the prudential regime for small domestic deposit takers, ahead of the wider capital regime coming into effect in January 2027. These developments, together with heightened cyber risks, the pace of technological change, and increased competition, require continued vigilance and an ability to keep pace with evolving expectations. Government-led efforts to stimulate growth may also accelerate competitive activity across the mortgage market.

The Board remains focused on steering the Society through these pressures with prudence and clarity of purpose. We will continue advocating for regulation that reflects the size and risk profile of building societies, enabling us to invest confidently in innovation and service.

This was my first full year as Chair, and I would like to finish by acknowledging the continued professionalism and commitment of our colleagues. Their dedication to our members throughout a period of significant change reflects the very best of our mutual values. I also extend our thanks to Simon Linares, who stepped down from the Board in November after six years, and wish him well for the future. We were pleased to welcome Chris Sparks as Chair of Board Risk Committee ('BRC') and Clodagh Gunnigle as Chair of the Remuneration Committee ('RemCo') during the year. Their extensive banking, risk, transformation, and people leadership expertise further strengthens our Board for the future.

I also announce that Anthony Murphy has decided to step down as Chief Financial Officer to spend more time with his family in Ireland. He will leave the Board and the Society in May 2026. The process to appoint his successor is under way, with an update to follow in due course. On behalf of the Board, I would like to extend my thanks to Anthony for his notable contribution. The Society he leaves behind is significantly stronger and well positioned to achieve sustainable, long-term growth for our members both today and in the future.

To conclude, on behalf of the Board, I would like to thank our members for their continued loyalty and trust in NBS. As Chair, I remain committed to ensuring our members stay at the heart of our Society and at the forefront of every decision we make.

Robin Ashton

Chairman

4th March 2026

Chief Executive's Review

I would like to start by recognising and thanking our fantastic colleagues, whose commitment and hard work has been central to everything we have achieved this year.

I am proud of the way they have supported our members through a period of significant operational and technological change. I would also like to thank our three hundred thousand members for their loyalty and trust, and acknowledge the contribution of our valued partners, particularly all of our mortgage intermediaries, Gen H and MQube, who all played a vital role in helping homebuyers secure the funding they need.

I am also proud of the Executive and Leadership team and the teams they lead in terms of what they are delivering for all of our members in terms of our transformation journey. In terms of the Executive, we said farewell to Paul Howley who has led much of our transformation and Praven Subbramoney who led our lending business.

During the year, we welcomed Russ Thornton who has immense technology delivery capability and Aaron Shinwell who has picked up the mantle of delivering to our future lending segments. In addition, we saw Harriet Guevara move to leading our savings offering and Sally Gaudion to lead customer and operational resilience.

We welcomed Riaan Thiart as our new Head of Audit which is a strategically important role to ensure we are robust and thorough in assessing all of our key risks. He and the new audit team are a significant support to the delivery of our agenda and holding us all to account.

I would like to thank Anthony Murphy for his significant contribution. During his time, we achieved strong profitable growth, significantly enhanced the rigour and quality of our financial management and regulatory reporting, and established our partnership with Gen H. We also delivered our inaugural public Residential Mortgage-Backed Securitisation ('RMBS') issuance, a landmark transaction that demonstrated the increasing sophistication of our treasury capabilities. I have greatly valued our close working relationship and wish Anthony the very best for the future.

Finally, thank you to our Board for their continued stewardship, advice and support.



Sue Hayes Chief Executive Officer

A look back at a year of consolidation, discipline, and delivery

2025 has been a year of deliberate consolidation for the Society, following two years of strong double-digit growth. We made a conscious decision to moderate lending while continuing to prioritise substantial investments in our technology, systems, processes, and capabilities to strengthen long-term resilience and enhance our operating foundations.

This ongoing programme builds on the transformation of recent years and ensures the Society is prepared for its next phase of purposeful innovation and sustainable growth. The pricing of new lending has reflected the increasingly specialist nature of our proposition, and the new capability will enable us to scale this further. Despite the conscious decision to curtail growth, the Society has delivered a robust set of results, with statutory profit before tax increasing to £16.7m (2024: £13.9m).

Consolidation with intent

Concluding this year of consolidation marks the natural next phase of the strategy, where the focus moves from building core foundations to preparing the organisation for a further period of purposeful innovation and growth and the next stage of our evolution as a specialist residential lender. The focus on consolidation shaped every aspect of our activity during the year, particularly across our lending business.

Lending with purpose as we navigated turbulence and embedded transformation

As we strengthened our technology and foundations, we also continued to move towards the specialist lending segments that sit at the heart of our long-term strategy, particularly our Extra Ordinary Borrowers ('EOBs').

Operating in a volatile environment

The external environment this year presented significant challenges. Global markets reacted unpredictably to policy shifts from the new US administration, including tariff developments, whilst in the UK, the 2025 Budget in November contributed to more cautious borrowing and subdued activity in the mortgage market.

The growing threat of cyber-attacks represents significant challenges across

all sectors and continents, and we should all expect this to increase. We need to continue to ensure we are as prepared as possible to deal with that threat, with significant focus put on maintaining our operational resilience capabilities. At some point, all organisations can expect to be impacted and their ability to respond and recover is one of the most important things any organisation can prepare for.

Even with this heightened level of uncertainty and the need to put additional emphasis on our foundations, our core principles remained unchanged, and we remained firmly focused on delivering strong member service and offering great value products.

Embedding capability to support specialist lending

In 2025, we report that new mortgage lending totalled £0.9bn, compared to £1.2bn in 2024. This deliberate reduction enabled us to implement, embed, and start to scale a new mortgage platform, delivered in partnership with MQube, which supported nearly half of our residential lending in December 2025. We are proud to be the first building society to have partnered with MQube to bring this technology to the intermediary market.

The new mortgage platform has already started to transform our lending service with significantly shorter time to offer a mortgage. For brokers, the new platform represents a step change. The platform allows us to respond more quickly to market needs, supporting increased capacity without increasing cost-to-serve, and the delivery of smarter, more personalised mortgage options for a wider range of members. The integrated Artificial Intelligence ('AI') allows us to analyse documents efficiently, enabling lending decisions and supporting more difficult lending cases. Further steps are being taken to enhance this with new decisioning capability and to scale further in 2026, with key integrations taking place to further enhance the service we deliver to our intermediary partners.

Building momentum in specialist markets

Our aim for 2026 is to build further momentum and impact in these specialist segments, increasing our market share whilst maintaining a responsible and sustainable approach that has differentiated our lending to date. The progress we have made in specialist lending, even prior to the new capability being delivered, reinforces our belief in the long-term opportunity these borrowers and intermediaries represent.

We continued to develop and grow our specialist lending proposition through our partnership with Gen H. To date, this partnership has resulted in the creation of over 5,000 new homeowners funded by approximately £1.0 billion of forward-flow funding. We will also consider further inorganic partnerships in 2026 to support our growth.

Our mortgage book performed strongly throughout the year, with strong margins in new business and arrears levels remaining exceptionally low. These outcomes reinforce our confidence that we can continue to outperform peers in the markets where we choose to compete.

A standout year for savings performance

Strength in our mortgage performance was matched by continued momentum across our savings franchise. Savings performance remained robust, with total interest paid to savers reaching £164.3m, compared to £154.6m in 2024.

Strengthening our funding and resilience

We successfully navigated intense funding competition in the market following the industry-wide repayment of the Term Funding Scheme with additional incentives for Small and Medium sized Enterprises ('TFSME'). Leveraging our debut Public RMBS, we secured £350m of additional funding, which enabled us to complete the repayment of our own TFSME facilities whilst managing margin pressure responsibly. This transaction demonstrates our growing sophistication in funding and further diversifies our funding base.

Delivering value and choice for savers

During the first half of 2025, we delivered a record Individual Savings Account ('ISA') season. We delivered more than double the figure recorded in 2024, generating £80 million Fixed ISA deposits in the month of April (2024: £38m). This represents an incredible effort across both our branch and digital channels.

Our work this year also reinforced the importance of deepening relationships across both savings and mortgage members, something we will continue to focus on as part of our long-term member strategy.

Throughout 2025, we lobbied against proposed Cash ISA reforms. After two delays earlier in the year, the Government made the decision to reduce the annual

tax-free Cash ISA allowance from £20,000 to £12,000 from April 2027 for the under 65s. This was a significant development for both savers and lenders. Whilst we recognise the ambition to encourage a stronger investment culture in the UK, our view remains that this should not come at the expense of saver choice or financial confidence. Cash ISAs continue to play a vital role for millions of households as a low-risk way to build financial resilience, highlighted by the fact that our data showed us that two-thirds of our own Cash ISA members had used the full £20,000 allowance last year.

We will continue to engage constructively with government and industry to ensure that the interests of savers are fully reflected in future decisions, and to advocate for a framework that supports both long-term financial wellbeing and the strength of the mutual sector.

On the point of optionality, we know passbooks are valued by our members. We also understand that the ability to see balances online is important, so we have built the capability to have both – both physical and digital passbooks. We began the process of implementing this at the end of 2025 and will continue to roll this out to all members over the coming months. As a building society, we're committed to what our members value most. Our members want passbooks, and we will continue to support that by offering all types.

More recently, we were pleased to be selected as part of the first cohort of the PRA and FCA's new Scale-up Unit. This initiative supports the Government's wider growth agenda and reflects the importance of creating the right regulatory conditions for firms to scale sustainably. For Nottingham Building Society, this aligns closely with our ambition as a modern mutual to grow at pace while maintaining strong standards and long-term resilience.

A brand that reflects our ambition

Our brand evolution continued to take shape through 2025, most notably by opening of our new flagship branch on Clumber Street. This was our first new branch opening in eight years and marked a significant milestone for us and our continued investment in the high street. The branch brought our refreshed new brand to life in a physical and visible way for the first time, showcasing our ambition to be a modern, accessible, and future-focused mutual whilst maintaining the roots of our building society heritage. At the same time, it reaffirmed our deep connection to Nottingham and our presence in the heart of the city.

Chief Executive's Review (continued)

Every element of the new branch on Clumber Street was designed using insight and feedback from the people who use it, reflecting how our members want to bank today and tomorrow. Following the launch of the Clumber Street branch, we have since rebranded our branches in St Albans, Arnold and West Bridgford, further strengthening our presence across the network. The process of rolling the new branding out across our branch network will continue throughout 2026.

Member feedback has been overwhelmingly positive, supported by consistently strong Trustpilot ratings, while brand awareness continues to grow across our digital channels and high street footprint, reinforcing our position as a modern mutual.

Technology foundations that power the future

Underpinning progress across both lending and savings is the continued transformation of our technology and operating platforms. 2025 was a pivotal year for embedding our technology investments. We made strong progress across:

- New mortgage platform and decisioning systems;
- Upgrades to existing systems;
- Resilience and cyber security enhancements;
- New Cloud environment to support innovation and data capability;
- AI adoption across broker and internal processes; and
- Change Excellence, which has now been shortlisted for two national awards by The Learning Awards and The Learning Excellence Awards.

Taken together, this marks the transition from foundational modernisation to a more innovation-led phase, where data, cloud capability, and AI will increasingly shape the way we deliver a first-class service to members and brokers. This will always be combined with passionate and member led colleagues in order to truly achieve the best experience for all our members and intermediaries. These investments are enabling us to operate with greater agility, insight and reliability.

Delivering a service that sets us apart

We were delighted to maintain our excellent 4.8 Trustpilot score from over 5,000 reviews, ensuring we continue to be ranked as one of the highest-rated building societies on this platform. This reflects the dedication of colleagues across our branches, digital services, and mortgage teams. Member service remains one of our strongest differentiators and will continue to be a central focus.

Listening, learning, and improving

One of those differentiators includes the opening of our Colleague and Member meeting room at our Head Office, a comfortable space for intermediaries, members and colleagues to share their experiences and support us in our journey to deliver the best member experience possible.

During 2025, we invited over 80 colleagues and customers into this space to share their feedback with us directly, all with the aim of further developing and improving our best-in-class customer experience.

Those strong service standards, especially during periods of transformation, remain one of our most important differentiators in an increasingly competitive and fast-moving lending and savings market.

Our ability to deliver for members is only possible because of the people who bring our strategy to life every day.

Supporting our colleagues

Behind all of this are our colleagues, who are central to the success of our transformation. As with previous reports, we have highlighted the need to continue to review the key skills and capabilities we need and to both attract and retain the right talent to take us through our transformation.

Building capability for the future

This year we invested significantly in building capability across the organisation, supported by initiatives such as Change Excellence, a people-first, Society-wide programme designed to equip all our colleagues with the skills, confidence, and resilience to lead, deliver, and thrive through change.

The step change in the level of investment and focus we are putting on the development of our colleagues has been marked in 2025 with the outcome being better delivery for all of our members and a real improvement in our colleague capability. This investment will continue in 2026 and beyond to ensure we are able to deliver for our members and Intermediaries and the challenges and opportunities we face.

Engagement scores remained stable during a period of considerable change. It's pleasing to see attrition levels reduce markedly, whilst we continued to see strong participation in all of our development programmes.

These changes, alongside our shift towards more agile and streamlined ways of working, ensure we continue to build the capability required for the next phase of our strategy.

Showing up for our community in meaningful ways

In 2025, we contributed a total of £144,000 into our communities, almost 1% of our 2024 pre-tax profit, and we're proud of the positive impact that's helped us create together, with our partnerships with Emmanuel House, Shelter and ThinkForward continuing to grow this year.

The volunteering hours our colleagues continue to contribute is a reflection of the Society we are and our commitment to our charity partnerships and communities. Our branch colleagues gave an astonishing 3,125 hours of volunteer time, more than ever before and 47% more than 2024. Our branch commitment is to have a positive, lasting impact in all the local communities we serve.

Alongside our branch teams, colleagues across all locations gave working time to charities and non-profits, too. 48% of our colleagues gave their working time to support non-profit organisations, which accumulated to 3,938 hours (2024: 3,522 hours) of volunteer time. We're proud of the year-on-year growth we've seen in colleague contributions, truly living our mutual ethos and showing up for our local communities.

Scaling our social impact

In 2024, we were proud to be a sponsor of the annual Notts Pride event. We reaffirmed that commitment to inclusion and community by sponsoring the event for a second successive year. We also expanded on that by becoming the lead sponsor of the Belper Pride event for the first time, an initiative that was driven forward by many of our colleagues in our internal Pride network.

As a culmination of all of our community initiatives, we were proud to be shortlisted for the Community Impact Award at the East Midlands Business of the Year Awards in October 2025, and we continued to support young people through mentoring, events, and insight sessions.

As we look ahead to 2026, we are ambitious to further scale our Social Impact programmes both through our charity relationships, our branch locations and by continuing to support colleagues to have a lasting, meaningful impact on our communities.

Looking to the future

Looking ahead, we expect continued economic uncertainty, including subdued economic growth forecasts and further impacts from geopolitical developments. We anticipate additional Bank Rate reductions, which will require careful management of our Net Interest Margin ('NIM').

Our priorities for 2026 include:

- Delivering and scaling our specialist lending proposition and continuing to increase our savings membership to support this;
- Continuing to improve the experience for members across every channel;
- Embedding key technology investments;
- Further strengthening our operational resilience; and
- Progressing our data strategy and cloud foundations.

Optionality will remain important as we balance growth, resilience, and pace, ensuring we can respond quickly to opportunities as the market evolves.

We entered 2026 as a modern mutual with strong delivery momentum and a fabulous team having delivered significant change and progress. By remaining disciplined, investing wisely and keeping members at the heart of our decisions, we are well positioned to achieve sustainable, long-term growth.

I would like to finish as I started, by thanking our members for their support and trust, and our colleagues for the exceptional commitment they provide every day.

Sue Hayes

Chief Executive Officer
4th March 2026



Strategic Report

Our Blueprint for the Future

In 2025 we undertook a further full strategic review to ensure the strategy we set in 2022 was still relevant. It has served us well with sector leading growth and with increasing financial margins for new mortgages business; however, with a changing world we wanted to ensure it was still the right one for the next few years. We concluded it continues to be the right strategy, supporting the delivery of the best outcomes for members.

The need for strategic clarity has become more critical in the face of economic challenges, marked in recent years by higher inflation and interest rates. These challenges have been compounded by global instability, including the ongoing war in Ukraine as well as the emerging conflict in Iran, which risks spilling over into a wider regional confrontation. Together, these developments disrupt supply chains, drive volatility in global energy markets and intensify wider economic uncertainty.

Building societies are the original purpose-led financial services organisations, and our 2025 strategic review reaffirmed the importance of remaining anchored to that purpose. While the strategy established in 2022 continues to serve us well, redefining and clarifying our purpose ensures we remain focused and resilient, enabling us to keep delivering meaningful value for members despite the significant shifts in the economic and geopolitical landscape.

We have continued with our strategic blueprint that consists of three elements:

- **Our purpose** - the role we play in our members' lives,
- **Our strategic drivers** - what we need to prioritise; and
- **Our behaviours** - how we all need to operate.



Our Purpose

We know home ownership is a life changing milestone, with the potential to provide happiness, security and opportunity for generations to come. Whilst we have been helping people buy houses for over 175 years, we know that home ownership is becoming increasingly difficult for significant parts of the population and as a Society we want to be there to support people to achieve this milestone.

We also recognise that treating traditional borrowers in a consistent and fair way is something that we and the mainstream banks can do well. This has meant that those audiences are well catered for by mainstream banks who operate at scale and building societies therefore need to compete on service and differentiation. We are focused on supporting people who want to buy their own homes but find it hard to get onto the housing ladder because they don't have regular monthly incomes or have hit bumps in the road but are fundamentally good financial risks. This Extra Ordinary group has grown significantly over the last few years and so offers a real opportunity for us to meet the true mutual purpose and to pay our savers appropriate rates for supplying the funding to help them. As a result, our purpose continues to be:

“Together we fight for the Extra Ordinary to own their own home.”

We define Extra Ordinary as hard-working people with circumstances that many lenders might view as out of the ordinary - from self-employed professionals to those who have had a setback in their career or financial history. We believe this community has a right to be understood and that their needs and circumstances are known so they can achieve their dream of owning a home. This is something that is worth us all fighting for and we commit to going the extra mile to do this.

This purpose lives at the core of our blueprint for the future. To support delivery of this, we have also given clear direction of what we need to do to deliver this through our strategic drivers and the behaviours our team needs to embrace.

Our strategic drivers

To achieve our purpose, our decisions will be driven by these strategic drivers:

- **Mighty Foundations** – the right foundations for our business are in place. The processes, governance, people and technology will underpin our Society to ensure we are strong and resilient now and in the future;
- **Extra Ordinary Depth** – to help our members and partners including brokers, we must build a deep and ongoing understanding of them and their circumstances. A journey of deep listening, learning and adjusting using internal and external data to help us;
- **Purposeful Innovation** – we want to create and deliver leading propositions and member experiences that will support long term sustainable advantage to lead in these markets and to enable us to deliver our purpose; and
- **10X Allies** – we want our allies to be crucial partners who are passionate about our purpose and work with us to accelerate and multiply the impacts we can make. We want to create a movement of people who are on the journey with us to help more and more people own their own home. We demonstrate this in both the way we partner with people and the 100% intermediary led approach we take for lending.

Our behaviours

As a mutual, it is in our DNA to understand the power of working together and we know our purpose cannot be achieved in isolation. We will identify the partners and like-minded allies that will join us in pursuit of our purpose. This includes our saving community who are integral to the movement that will enable home ownership for thousands of people every year. It also includes our colleagues, and through our behaviours we will build a culture where our purpose can be realised.

We encourage them to:

- **Have the brave conversation** – we create an environment where people feel confident to speak up and challenge with the intent to support ongoing improvements in what we do and how we do it;
- **Make the bold leap** – we take action. We lean into the change and drive it forward, challenging the status quo to continuously make things better; and
- **Seek the big insight** – we demonstrate curiosity, leaving no stone unturned to find different perspectives and to understand problems and opportunities equally.



Business Model and Group Strategy

NBS is a Top Ten UK building society with Total Assets in excess of £5bn. The Society operates under three membership hubs:

- **Mortgages** – via our intermediary-led lending hub, offering a wide variety of mortgages and more recently through our partnership with Gen H;
- **Branches** – via our regional presence of 31 locations across 8 counties; and
- **Digital** – our online platform and mobile app, providing access to digital savings accounts.



Mortgages

Building on our 2024 progress, we continued to expand into new niche market segments, including tailored solutions for foreign nationals seeking to purchase property in the UK. As our technology, data insights, and underwriting expertise evolve, we expect to serve a growing number of members whose lifestyle, employment, or financial circumstances require a more personalised lending approach.

In 2025, we successfully launched our Inviting Difference In ('IDI') Broker Portal in July, which has supported the majority of processed mortgage applications since implementation. This is already transforming our lending operations by reducing time to offer, improving decisioning capability and significantly enhancing broker experience, marking a key milestone in our evolution as a specialist residential lender and positioning us strongly as we scale further into specialist segments in 2026.

Branches

We provide traditional branch services to serve those who prefer face-to-face propositions, offering branch-based savings accounts alongside financial planning for those that would like those services. Our colleagues strive to provide members with an excellent member service and ensure their financial needs are met as well as serve their local communities.

Digital

The NBS app, is the Society's online and mobile app proposition providing savings accounts to members who prefer to manage their savings themselves, but also supported by our online web chat and telephony member advocates. This also allows us to support a wider range of needs and of locations.

The digital membership hub offers several tax-free and taxable savings products and provides several advice partnerships, accessible on the platform, to help first-time buyers achieve their home purchase goals including access to mortgage advice, conveyancing services and ways to help manage and improve their credit scores.

Overall Business Performance

The Group's business activities are focused within the UK and predominantly relate to mortgage lending which is funded through a mixture of retail domestic deposits and wholesale funding. Both the Chair's Statement and Chief Executive's Review include a summary of factors affecting our performance in 2025 and should be read in conjunction with this report.

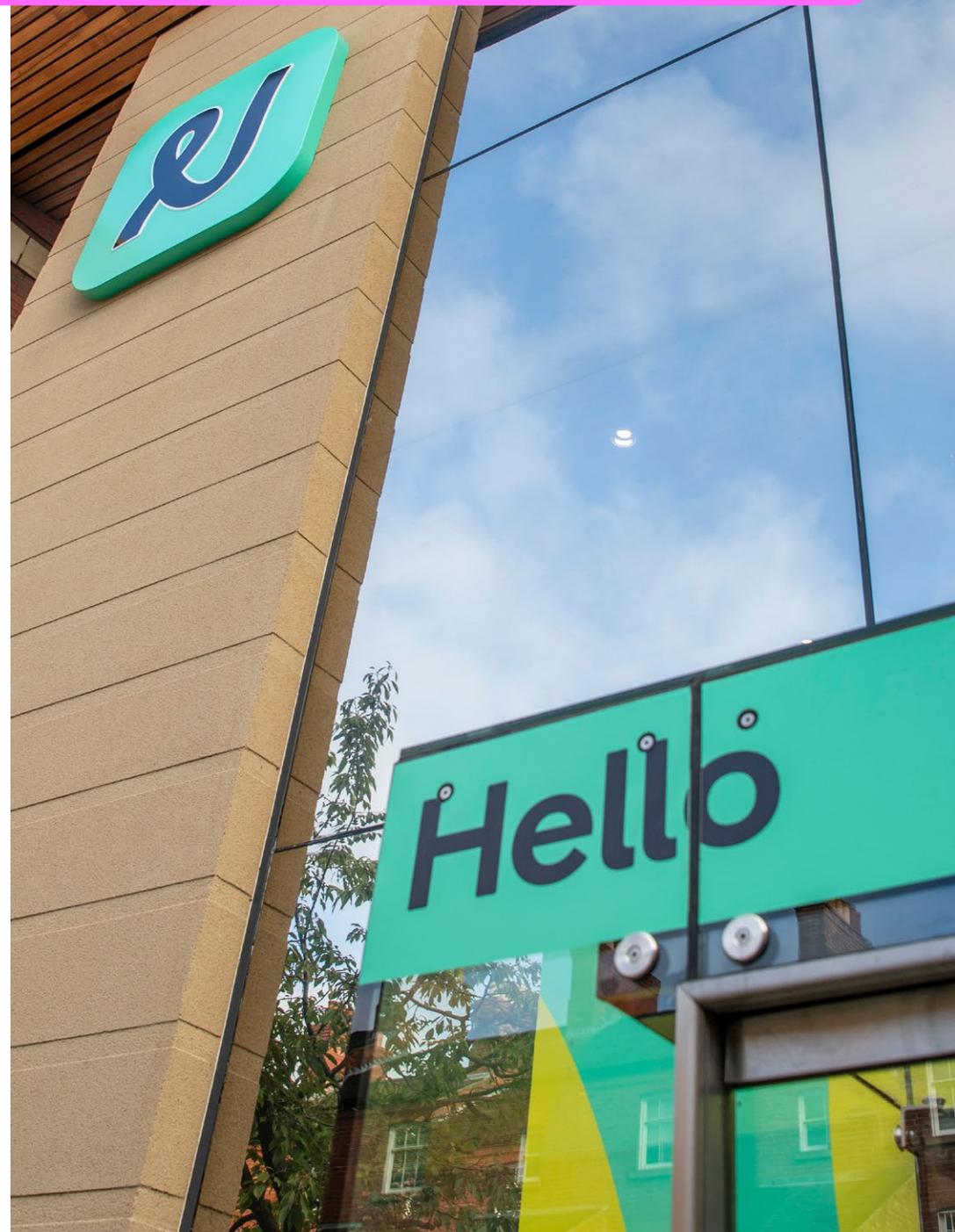
The economic environment in the UK remained challenging across 2025. Throughout this period of economic instability, we have continued to deliver on our purpose and stay focused on the long-term sustainability of the Society, whilst balancing the interests of both savings and mortgage members throughout.

Throughout the year, we continued to serve our members with a range of mortgage products. While the mortgage market began the year subdued due to higher interest rates and cost-of-living pressures, these challenges gradually eased during 2025; however, demand remained lower than historic levels and competitive pressures continued to compound. Nevertheless, against this backdrop we have sustained a total asset position of £5.4bn (2024: £5.2bn), supported by organic and inorganic mortgage lending.

Our savings members are of utmost importance to the delivery of our strategy as their deposits support borrowers achieve their goal of home ownership. We remain committed to providing savers with secure propositions that offer easy access to their savings and competitive interest rates. We have maintained our network at 31 branches, whilst expanding and improving our online digital proposition to ensure an excellent experience for our members when accessing their savings through their preferred channel.

In 2025 we achieved
a record high total
assets position of

£5.4 bn



Overall Financial Performance

This section is presented on a Group basis only and primarily reflects the consolidated results of Nottingham Building Society and its two subsidiaries, Arrow Mortgage Finance No.1 Ltd and Lace Funding 2025-1 PLC. Management assesses the Group's financial performance at this consolidated level, which is appropriate given the relatively straightforward structure of the Group.

Our financial performance is reviewed regularly by the Board using a range of measures, including statutory profit before tax and underlying profit before tax. Underlying profit represents an alternative performance measure that excludes items such as fair value volatility and significant one-off charges which do not reflect the Group's core operating activities. The Board considers underlying profit before tax to be a more representative measure of the underlying performance of the business.

The presentation of underlying profit before tax remains consistent with prior years. Further detail is provided within this Strategic Report, including a reconciliation of underlying profit to statutory profit on Page 19.



Anthony Murphy Chief Financial Officer

Key Performance Indicators

Total Group Basis



▲ Positive movement ▼ Adverse movement ▶ Stable

Financial Highlights

As a mutual organisation, we do not pay dividends to external shareholders; our profit requirements are driven by the need to maintain strong capital to support our activities. This ensures resilience against severe economic stresses and enables continued investment to help more members in the future.

In 2025, the key financial highlights included:

- Statutory profit before tax of **£16.7m** (2024: £13.9m), reflecting disciplined margin management and strategic cost investment;
- Underlying profit before tax decreased to **£20.9m** (2024: £22.8m), driven by income growth offset by higher operating costs;
- Interest receivable and similar income increased to **£289.6m** (2024: £267.3m), supported by mortgage balance growth in recent years, while NIM reduced to **1.62%** (2024: 1.72%) due to rising funding costs;
- Gross mortgage balances remained broadly stable at **£4.3bn** (2024: £4.2bn), with member deposit balances also steady at **£4.6bn** (2024: £4.4bn);
- Cost-to-income ratio of **78.2%** (2024: 72.7%) and underlying cost-to-income ratio increased to **76.4%** (2024: 73.0%), as cost growth outpaced net interest income;
- Underlying management expenses rose to **£66.5m**, an increase of **£4.8m** versus 2024, largely reflecting higher people costs and investment in brand and transformation programmes;
- A **£0.4m** impairment provision credit was recognised (2024: £nil), resulting in a provision balance of **£4.5m** (2024: £5.2m), driven by sustained low arrears and an improving macroeconomic outlook, despite ongoing affordability pressures; and
- Common Equity Tier 1 ('CET1') and Leverage Ratio increased to **14.1%** and **5.1%** respectively (2024: 13.7% and 4.9%), primarily due to an increase in CET1 capital.

The results have been prepared in accordance with UK-adopted International Financial Reporting Standards ('IFRS'), as set out in Note 1 to the Financial Statements. Underlying results are presented overleaf, together with a reconciliation to statutory results.

Income Statement Review

	Group 2025	Group 2024
	£m	£m
Total Group Basis		
Net interest income	86.7	83.6
Net fees and commissions receivable	0.3	0.9
Net income	87.0	84.5
Underlying management expenses	(66.5)	(61.7)
Impairment credit on loans and advances to members	0.4	-
Underlying profit before tax	20.9	22.8
(Losses) / gains from derivative financial instruments	(3.0)	3.9
Voluntary payment expense associated with Philips Trust Corporation	0.4	(11.2)
Recoveries against Philips Trust Corporation expense	0.1	1.0
Movement in Equity Investment Fair Value	(1.1)	-
Net strategic investment costs	(1.4)	(2.6)
Profit on disposal of freehold land and buildings	0.8	-
Profit before tax	16.7	13.9

Profitability

We made a statutory profit before tax in 2025 of
(2024: £13.9m)

£16.7m

And an underlying profit before tax of
(2024: £22.8m)

£20.9m

In 2025, the Group delivered a statutory profit before tax of £16.7m (2024: £13.9m) and an underlying profit before tax of £20.9m (2024: £22.8m). The reduction in underlying profit primarily reflects an increase in management expenses, driven by continued investment in people and transformation activities, alongside higher Gen H fees. Net interest income increased during the year, supported by mortgage book growth in recent years and disciplined margin management, which helped offset the impact of rising funding costs.

On a statutory basis, profit in 2025 was impacted by losses on derivative financial instruments, compared to gains in the prior year. Profitability in 2024 was also affected by the proactive and voluntary support provided in relation to issues surrounding PTC.

Profit after tax remains our primary source of new capital and is essential to ensuring long-term security for members and meeting regulatory capital requirements. We continue to operate from a position of financial strength, adopting a prudent approach to safeguard the interests of our members, colleagues and the communities we serve.

Total Income and Net Interest Margin

	2025	2024
Net interest margin	1.62%	1.72%

Statutory net interest income was **£86.7m** (2024: £83.6m), representing an increase of **£3.1m** year-on-year. This growth reflects higher income levels, alongside a reduction in NIM to **1.62%** (2024: 1.72%) due to rising funding costs.

The reduction in NIM is primarily attributable to increased funding costs, as maturing fixed-term deposits continued to reprice at higher rates throughout 2025. In addition, the Society's liability hedging strategy, resulted in higher interest payable during the year but provides protection against potential future reductions in interest rates.

an additional **£23.2m** in interest paid to saver members in 2025 compared to the market average
(2024: £19.0m)

The average rate paid to our savers exceeded the market average by 53bps (2024: 49bps), rewarding members with an additional £23.2m in interest (2024: £19.0m). Savings rates increased in response to a competitive market and higher average interest rates, supported by additional savings balances to fund growth and enable repayment of funding received through the TFSME. The Society remains committed to rewarding depositors appropriately and continues to offer competitive rates to members.

Other Income

Net fees and commissions receivable comprise fees, commissions and other operating income generated from the Group's activities. These reduced during the year, primarily due to our decision to reduce mortgage redemption fees to £nil.

Management Expenses

The Group's management expenses include administrative costs, depreciation and amortisation, and strategic investment expenditure. A breakdown is provided below:

	2025 £m	2024 £m
Underlying administrative expenses	61.7	56.8
Depreciation and amortisation – underlying	4.8	4.9
Management expenses – underlying	66.5	61.7
Strategic investment costs	1.4	2.6
Total management expenses	67.9	64.3
Represents:		
Administrative expenses	63.1	59.4
Depreciation & amortisation	4.8	4.9
	67.9	64.3

Management expenses have risen due to ongoing investment in both technology and people to support the Society in achieving its strategic goals. We continue to invest in a multi-year transformation programme to improve the experience for our members. We have focused on operating the Society efficiently with close control over our costs and associated ratios which remain important measures as we work to deliver our strategy.

As a result of these investments, management expenses have increased by **5.7%**, with underlying management expenses increasing by **7.8%** compared to the prior year. We continue to manage our costs carefully in line with internal targets and are continuously looking to identify appropriate efficiencies, whilst at the same time investing for the long-term future of the Society.

Impact of Philips Trust Corporation

In 2024, the Society incurred net expenditure of £10.2m, reflecting voluntary payments to impacted members, net of recoveries. Further details are provided in Note 27 to the Financial Statements.

Strategic Investment Costs

Strategic investment costs totalled £1.4m (2024: £2.6m) and primarily relate to planned organisational changes linked to the development of the Society's target operating model, including staff related measures and other directly attributable expenditure necessary to position the organisation for future growth. Further details are provided in Note 27 to the Financial Statements.

Movement in Equity Investment Fair Value

The £1.1m reduction in equity investment fair value to £nil reflects an updated assessment of the Gen H investment valuation, resulting in a prudent downward adjustment to the carrying amount. Gen H is an early-stage fintech mortgage startup, and the updated valuation incorporates the impact of dilution arising from a recent share issuance, together with the inherent uncertainty associated with businesses at this stage of development.

(Losses) / Gains from Derivative Financial Instruments

The Society utilises derivative financial instruments to manage interest rate risk arising from fixed-rate mortgage, treasury assets and savings accounts, applying hedge accounting where possible. Movements in fair value primarily reflect timing differences, which typically reverse as the underlying asset or liability reaches maturity.

During the year, fair value losses totalled £3.0m (2024: gains of £3.9m), comprising:

	2025 £m	2024 £m
Fair value movements on swaps held against the mortgage pipeline	(0.1)	2.1
Amortisation gains from the reversal of losses recognised in both the prior and current periods	0.9	0.8
Movements in the ineffectiveness of the hedge accounting portfolio	(3.6)	0.8
Fair value movements on swaps associated with the secured funding vehicle	(0.2)	0.2
(Losses) / gains from derivative financial instruments	(3.0)	3.9

More detail on the fair value gains and losses in the period is available in Note 5.

Impairment Credit on Loans and Advances to Members

The Society maintains provisions for expected credit losses across all loans, based on the probability of default and potential loss, taking into account a range of assumptions about future economic scenarios and whether credit risk has increased significantly since origination.

Despite ongoing affordability pressures, borrower resilience remains strong, with the proportion of accounts in arrears by 30 days or more at 0.75% as at 31st December 2025 (December 2024: 0.55%).

An impairment credit of £0.4m was recognised in 2025 (2024: £nil), reflecting an improved macroeconomic outlook and resulting in a slightly lower coverage ratio of 0.11% (2024: 0.12%). Total impairment provisions at 31st December 2025 stood at £4.5m (December 2024: £5.2m).

The Society's cost of risk for the year was (0.01)%, broadly stable year on year (2024: 0.0%). This favourable cost of risk reflects the net impairment credit recognised in the period, driven by the release of provisions following an improved forward-looking economic outlook. The metric continues to indicate strong underlying credit performance, with losses remaining low relative to the size and risk profile of the mortgage book.

Further details on the key judgements and estimates involved in calculating impairment provisions, including the use of Post-Model Adjustments, ('PMA') are provided in Note 15 to the Financial Statements.

Taxation

The tax charge for the year was £6.0m (2024: £4.6m), reflecting the higher level of profitability within the Society as a standalone entity. Further details are provided in Note 8 to the Financial Statements.

We manage our tax obligations to ensure full compliance with all statutory requirements and do not intentionally structure transactions to achieve a tax outcome contrary to the intentions of Parliament. The Society maintains an open and transparent relationship with His Majesty's Revenue and Customs ('HMRC'), and our Tax Policy is reviewed annually by the Board Audit Committee ('BAC'). This policy provides a framework for the operation, planning, and oversight of tax and tax risk, ensuring compliance with relevant legislation. The policy has been adhered to throughout the year.

Statement of Other Comprehensive Income Review

The Defined Benefit Pension Scheme's liabilities are effectively hedged by the scheme's assets, reflecting the robust hedging strategy implemented by the Society. This approach ensures that movements in liabilities are largely offset by corresponding movements in assets. This can be observed in both 2025 and 2024, where gains or losses on the scheme's liabilities have been appropriately counterbalanced by losses or gains on the scheme's assets, minimising volatility in the overall funding position.

Statement of Financial Position Review

	2025 £m	2024 £m
Loans and advances to members	4,305.0	4,201.8
Liquid assets	1,071.1	917.0
Other assets	60.2	107.9
Total assets	5,436.3	5,226.7
Retail & wholesale funding	5,096.7	4,908.3
Other liabilities	72.9	65.1
Reserves	266.7	253.3
Total liabilities & reserves	5,436.3	5,226.7

The Society provides residential mortgages across the UK through a network of approved mortgage intermediaries. Mortgage lending is primarily funded by members' savings, offered through a range of competitive channels. The remainder is sourced from wholesale markets and other financial institutions, including Central Bank facilities, secured on competitive terms. This diversified funding approach supports balance sheet resilience and ensures continued capacity to meet member needs.

Mortgage Lending

Gross Balances	2025 £m	2024 £m
Residential mortgages	3,569.9	3,650.3
Secured business lending	716.8	589.5
Total	4,286.7	4,239.8

Total gross mortgage balances closed the year at £4.3bn (2024: £4.2bn). Net lending was £46.9m (2024: £647.4m). While balance growth of 18% in the prior year was driven by increased exposure to owner-occupied residential mortgages through both organic and inorganic channels, in 2025 we made a deliberate decision to moderate growth to 1.1%, focusing on embedding significant investments in systems, processes and capabilities to strengthen long-term resilience.

Residential mortgage balances, including owner-occupied and traditional Buy-to-Let ('BTL'), decreased to £3.6bn (2024: £3.7bn), while Secured Business Lending ('SBL') balances, including commercial lending and portfolio BTL, increased to £0.7bn (2024: £0.6bn). BTL remains an important part of our lending mix, complementing our core focus on supporting extraordinary borrowers, balancing risk and enhancing financial resilience. We recognise the vital role of quality rental housing as a stepping stone to homeownership. The Society is also executing a planned exit from the commercial segment.

Our lending policy continues to strike a balance between supporting homeownership and safeguarding borrowers and the Society. In 2025, we maintained this approach while enhancing lending through optimised scorecards and strategies within our risk appetite. Average loan-to-value ('LTV') for new lending was 70.0% for Residential and 63.7% for BTL (2024: 69.7% and 61.0%), with overall book indexed LTV at 53.0% and 49.7%, respectively (2024: 52.4% and 50.0%).

The mortgage portfolio is well distributed throughout England and Wales and is predominantly focused in the three broad areas of East Midlands, Yorkshire & Humberside and London & South-East.

Retail and Wholesale Funding

The Society funds its mortgages through a combination of retail savings and wholesale funds.

Gross Balances	2025 £m	2024 £m
Branch savings	3,498.3	3,188.4
Non-branch savings	1,132.9	1,162.1
Retail savings	4,631.2	4,350.5
Secured wholesale	409.0	494.5
Unsecured wholesale	56.5	45.4
Collateral liabilities	-	17.9
Retail & wholesale funding	5,096.7	4,908.3

The Society operates a diverse funding strategy to maintain an optimal mix and duration of retail and wholesale funding. Retail savings remain the cornerstone of our funding model, complemented by secured and unsecured wholesale funding sourced from financial institutions and capital markets.

As a mutual, we are committed to providing savers with a secure home for their deposits, offering competitive products through both online channels and our branch network, which continues to play a vital role in our strategy. Savings balances closed the year at £4.6bn (2024: £4.4bn), supported by market-leading rates offered during 2025. In a challenging environment, we aim to reward members with attractive rates while prudently managing current and future financial risks.

Total wholesale funding at 31st December 2025 was £0.5bn (2024: £0.6bn), representing 9.1% (2024: 11.4%) of total funding. The movement reflects a £180m early repayment of BoE TFSME drawings ahead of contractual maturity, alongside the Society's debut RMBS issuance of £350m.

Subsequent Events

Subsequent to the year end, Anthony Murphy formally resigned from his position as the Society's CFO. He will continue to stand for re-election and remain in post until his planned departure in May 2026.

There have been no other material events after the Balance Sheet date that would require adjustment to, or disclosure in, these Annual Report and Accounts. The Society continues to monitor developments in the economic and regulatory environment to ensure any emerging risks or opportunities are appropriately addressed.

Liquid Assets

NBS maintains a prudent level of high-quality liquid resources to meet its financial obligations as they fall due under both normal and stressed conditions. This is reflected in a strong Liquid Asset Ratio of 21.0% at 31st December 2025 (2024: 18.7%).

Liquidity requirements are monitored closely, incorporating forecasted and stressed outflows on a dynamic basis. The Society's liquidity position remains robust, providing both protection and flexibility in an uncertain economic environment.

The Group's liquidity resources comprise a combination of On-Balance Sheet liquid assets and access to contingent funding from the BoE, secured against approved mortgage portfolios. By holding liquid resources of the highest quality, which can be readily converted into cash, the Group is able to manage liquidity efficiently.

The composition of on-Balance Sheet liquidity is as follows:

Gross Balances	2025 £m	2024 £m
Balances held with the Bank of England	297.0	443.3
Multilateral Development Banks	131.5	60.4
UK Gilts & T-Bills	244.6	109.8
Mortgage-backed securities	129.1	70.3
Covered Bonds	199.6	159.4
Other	69.3	73.8
Liquid assets	1,071.1	917.0

At 31st December 2025, the Society's liquidity included £1.1 billion of High-Quality Liquid Assets ('HQLA') (2024: £0.9 billion), comprising cash or assets readily realisable as cash when required. 100% of our liquidity portfolio was rated A or above (2024: 100%), reflecting our commitment to maintaining a high-quality liquidity position.

Liquidity is monitored by the PRA under the Capital Requirements Regulation ('CRR') framework, with the Liquidity Coverage Ratio ('LCR') being the primary measure. The Society remained comfortably above the regulatory minimum throughout the year, reporting weighted-average LCR of 236% for 2025 (2024: 172%).

Capital

The Society remains focused on maintaining strong capital ratios to protect members' interests, with all regulatory capital requirements comfortably exceeded throughout the year.

Our regulatory capital primarily comprises accumulated retained profits within the general reserve and subscribed capital provided through Permanent Interest-Bearing Shares ('PIBS'). Capital serves as a vital buffer against unexpected losses, safeguarding depositors and other creditors.

The Regulator requires the Society to hold a minimum level of capital against its assets, known as the Total Capital Requirement ('TCR'). As at 31st December 2025, the TCR was set at 8.4% (2024: 8.4%) of Risk Weighted Assets ('RWAs'), equivalent to £152.9m (2024: £151.2m).

Total regulatory capital increased by £10.1m during 2025 to £278.6m (2024: £268.5m), primarily driven by retained profits added to the general reserve. Growth in the mortgage book resulted in RWAs increasing by £20.9m during the year. Consequently, the Common Equity Tier 1 ('CET1') ratio, increased to 14.1% (2024: 13.7%).

The composition of regulatory capital as at 31st December is shown below:

Capital Resources	2025 Transitional CRD £m	2024 Transitional CRD £m
Common Equity Tier 1 Capital		
General reserves	264.0	253.2
Revaluation reserve	2.7	-
Fair value reserves	-	0.1
Regulatory adjustments & deductions	(12.0)	(8.7)
Total Common Equity Tier 1 Capital	254.7	244.6
Total Additional Tier 1 Capital	-	-
Tier 2 Capital		
Permanent Interest Bearing Shares	23.9	23.9
Total Tier 2 Capital	23.9	23.9
Total Regulatory Capital	278.6	268.5
Risk Weighted Assets	1,811.3	1,790.4

Capital Resources	%	%
Common Equity Tier 1 ('CET1') ratio	14.1	13.7
Total Tier 1 ratio	14.1	13.7
Total Capital ratio	15.4	15.0
Leverage ratio	5.1	4.9

Capital Requirements

The Society maintains a robust capital framework to ensure resilience and compliance with regulatory standards, while adapting to an evolving regulatory environment. Our capital requirements comprise the following components:

Pillar 1 – Capital held to meet minimum requirements for credit risk, operational risk, and market risk.

Pillar 2A – Additional capital required by the PRA to cover risks not captured under Pillar 1. At 31st December 2025, this requirement was 0.4% of RWAs, representing a point-in-time assessment by the PRA.

Capital Buffers – We hold capital buffers designed to absorb the impact of stress scenarios, including:

- A sector-wide Capital Conservation Buffer of 2.5%;
- A Countercyclical Capital Buffer, currently set at 2.0% of RWAs for UK exposures; and
- Additional requirements determined through the Internal Capital Adequacy Assessment Process ('ICAAP') to ensure alignment with our risk appetite and capacity to withstand severe but plausible stress scenarios.

The ICAAP is reviewed by the PRA when setting the Society's Total Capital Requirement (Pillar 1 and Pillar 2A). We conduct regular stress testing on our capital base, which consistently demonstrates a surplus above regulatory requirements after applying management actions.

The Leverage Ratio, calculated as Tier 1 capital divided by total balance sheet exposure, increased to 5.1%. This increase primarily reflects growth in capital in excess of growth in asset exposures.

Further details on the Society's capital management approach can be found in our Pillar 3 Report, available at www.thenottingham.com.

Risks and Uncertainties

The Society continues to identify new or evolving risks through its Risk Management Framework ('RMF'). Looking ahead, and taking note of the external environment, the Society is conscious of economic uncertainties and other horizon risks. Continued pressure on cost-of-living in the UK, with a continuing period of heightened inflation, two consecutive tax-raising budgets, conflicts in Ukraine and Iran, as well as the continued volatile interest rate environment, give rise to a number of risks and uncertainties. Added to this, the ever-competitive trading environment, the increasing rate of change of technology, and the continued evolution of the regulatory environment, give rise to further challenges which must be navigated in the pursuit of the Society's strategy.

Economic Uncertainties

The BoE has continued to reduce the Bank Rate over time; however, early reductions in inflation have somewhat stalled. Offsetting this, wage growth has continued and cost-of-living pressures for UK homeowners seem to have somewhat alleviated. The Society continues to be mindful of the effect of sustained higher inflation on credit risk in retail mortgage portfolios.

The reducing interest rate environment does, however, give rise to downside risks of margin compression, and market risks due to uncertainty around the quantum and timing of rate changes.

In addition, heightened geopolitical uncertainty continues, with wars in Ukraine and Iran giving rise to significant global economic risks. This, added to changes in the foreign policy posture of the US under the current administration and US economic policy (a more protectionist stance, tariffs etc), gives rise to significant economic uncertainty.

Domestically, the UK government has delivered its second Budget, with some significant changes, the economic impact of which have yet to be seen. In particular, changes to salary sacrifice rules for pension contributions, the cut to the cash ISA limit, and the so-called 'mansion tax' could each have second-order impacts on demand in this sector.

While changes to fiscal policy do give rise to some uncertainty, the government continues to deliver positive messages on its support of the mutual sector and financial services more broadly, seeing the sector as a key driver of its growth agenda going forward.

As always, the Society remains mindful of these sources of economic uncertainty, and it continues to maintain significant surpluses of financial resources, both capital and liquidity, to navigate through any turbulence. The Society has historically had low levels of arrears and defaults, and its mortgage book has proved extremely resilient during economic turbulence over the past several years.

The Society remains ever vigilant, and undertakes regular stress-testing, conducts an ICAAP, regularly assesses the levels of provisions held against bad debts and sets a capital appetite requirement at a level that is designed to be more than adequate to absorb credit losses should they arise. The Society

maintains a capital position in excess of its regulatory capital requirement.

Lending decision-making is supported by models which are reviewed regularly and overseen as part of the governance framework to ensure they remain relevant in an uncertain macroeconomic environment. The Society will continue to take a prudent approach both in its assessment of house prices and in its forecast of arrears levels.

NBS will also continue to monitor closely all relevant economic forecasts to ensure that all emerging risks and shifts in dynamics are considered.

Trading Environment

Trading conditions continue to be challenging as the mortgages and savings markets remain highly competitive.

On the mortgages side, the Society's strategy and business plan is seeking to increase margin, while growing the Balance Sheet, the combination of which is only possible by identifying and catering for underserved niches in the market. NBS has been successful in this regard in recent years, having significantly grown its Balance Sheet while delivering strong lending margins on new business. However, to maintain this trajectory, the Society will need to continue to innovate and develop its underlying capabilities in credit decisioning, operations and technology more broadly.

On the savings side, as rates continue to fall, there is a risk of margin compression, and the retail savings market continues to be highly competitive.

Noting the challenges of this environment, the Society continues to make developments in several areas that should help to offset some of these risks. NBS continues to enhance digital and branch propositions under the unified Nottingham Building Society brand with enhancements to functionality and customer experience anticipated to provide some differentiation and benefit on the savings side, with improved capabilities around proposition development and pricing continuing to provide benefit on the lending side.

Strategy Risk

As the Society continues on its journey to modernise its capabilities, proposition and enhance its model to build a sustainable business for the long-term, there continue to be risks to the delivery of this vision.

The Society is particularly focused on the risk that we do not realise the lending margins anticipated in the plan, that cost of funds is higher than we anticipate, that costs related to transformation are higher than anticipated.

With these risks in mind, the Society has clear guidelines within which the business is required to operate to ensure that any deviations from expected outcomes are identified early and addressed. These guidelines ensure that as we grow and transform the business, we are doing so in a measured, deliberate and stable manner.

Funding Risk

Volatile markets and elevated interest rates have resulted in increases to the cost of funds and balancing the reward of saving members with margin management will need continued careful consideration. The elevated interest rate environment in recent times has led to an increasingly competitive landscape.

The Society has continued to develop its capabilities and diversify its mix of retail and wholesale funding and delivered its debut public securitisation transaction to the market in February 2025.

NBS possesses a diverse mix of funding options to allow it to secure retail funding at competitive rates, including the digital capability provided by the app, and has worked to enhance capabilities and funding options over the past year. Liquidity is assessed as part of the Internal Liquidity Adequacy Assessment Process ('ILAAP') which includes robust stress testing.

Partnerships Risk

NBS works closely with key partners who provide services to members on its behalf. As the Society explores new ways of meeting the needs of its members, it is likely that the number of key strategic partners will continue to increase.

The Society has existing relationships with a number of key strategic partners who support elements of the strategy, such as a forward-flow lending partner, lending and decisioning platform providers, a core-banking platform provider, and infrastructure and networking providers.

NBS recognises that working with external parties requires close oversight, and has a framework and controls in place to support this. The Society manages such relationships through oversight, contractual requirements and service delivery standards. Partners are monitored to ensure that their services meet the Society's high standards, and metrics on service delivery are reviewed regularly and for critical suppliers reported to management committees.

Transformation Risk

The Society continues to make significant investment in its IT infrastructure, to both enhance operational resilience and provide enhanced capability to facilitate its strategic goals.

The inherent risks associated with technological change, including potential business disruption and / or operational loss, will be at heightened levels during this transformation. This has been recognised by the Society and is being managed appropriately using a defined change framework, with additional investment in change management capabilities, including the appointment of several suitably experienced professionals.

Cyber Risk

In tandem with the Society's increasing digital presence, cyber security risk continues to rank highly on the agenda and over recent years NBS has observed an increase in the volume of external cyber-attacks. This, combined with the increasing technological and organisational sophistication of malicious actors, represents an increasing challenge and threat to the business, in common with the reported experience of other businesses across all sectors.

Work is constantly undertaken to enhance and monitor the effectiveness of risk management in this space. The investment of resources to support this will continue, with the support of third parties who are working closely with the Society to ensure information security controls remain robust against the fluid external threat environment.

NBS remains proactive and will continue to invest in its cyber capabilities as this 'arms race' continues. Technical expertise is complemented with education and awareness activities to ensure that employees are equipped to recognise and manage the risks associated with cyber activity. The capability to respond to and recover from cyber events is kept under continuous review including contingency planning, crisis management and disaster recovery plans.

Operational Resilience Risk

Operational resilience remains a significant focus, reflecting the important role that the Society plays in its members' lives and the potential impact on members due to disruption to our services. In addition, operational resilience remains a key regulatory focus.

NBS has worked to develop a clear understanding of its most important business services which, if significantly disrupted, have the potential to cause intolerable harm to its members. In parallel with broader transformation and change activities, the Society continues to invest in improvements to the reliability and resilience of its business services generally, with a particular focus on those that could have a detrimental impact to its members.

Climate Change Risk

Enhancement of the Society's approach to climate-related risks continues with greater definition around responsibility frameworks for climate risk and metrics to monitor objectives related to carbon neutrality and Net Zero. Risks remain around interpreting the impact of climate on the Society's assets and members with modelling and the sourcing of reliable data being an industry-wide challenge.

Regulatory & Legal Risk

Several regulatory requirements are currently being delivered. Operational Resilience continues to be a significant focus for the Society, while the impact of incoming Basel 3.1 and associated SDDT requirements is a key consideration for the Society.

Activities related to recent regulatory developments in areas such as Climate Risk, Operational Resilience and Consumer Duty are enduring and require continued dedication of resources to facilitate effective embedding, evolution of approaches and ongoing monitoring and management.

The Society monitors the regulatory environment actively to ensure that it can comply fully with all new and changing regulatory requirements. Horizon scanning is a key process that supports the work of the Legal and Regulatory Risk Committee ('LRC'), which oversees the Society's approach to developing new processes in line with regulatory changes.

Anthony Murphy

Chief Financial Officer

4th March 2026

Stakeholder Engagement Report

The Board acknowledges the variety of stakeholders we have and the significance of evaluating and comprehending their requirements. We have established communication channels for each stakeholder group to guarantee that their perspectives are considered in the overall decision-making process.

The table below outlines our primary stakeholder groups and how we engage with them:

Stakeholder	Who they are	What is expected from us?	How do we listen and engage?
Members	<ul style="list-style-type: none"> Retail borrowers Retail savers 	<ul style="list-style-type: none"> Offer mortgages that are affordable and fairly priced; offer good value savings accounts; provide a friendly, efficient service; tailor help for vulnerable members; and support broader societal goals. 	<ul style="list-style-type: none"> AGM; member newsletter; member panels; focus groups and panels; Society's website; face-to-face; telephone; e-mails; and volunteering.
Colleagues	<ul style="list-style-type: none"> Colleagues Contractors 	<ul style="list-style-type: none"> Implement equitable reward and remuneration policies; support a good work-life balance; encourage and support personal development and training; foster an inclusive culture that values diversity and celebrates it; prioritise the well-being of physical, mental, and financial aspects; demonstrate empathy, respect, and fairness in all interactions; show genuine concern for the physical, mental, and financial well-being of colleagues; and show empathy, respect, and fairness to all. 	<ul style="list-style-type: none"> Engagement via leadership; colleague surveys; provide engagement via leadership teams; connect through colleague networks; keep colleagues up to date on all things Society related; and data analytics and monitoring activities on key engagement and employee value proposition key performance indicators.
Community	<ul style="list-style-type: none"> Local communities Charities and community groups 	<ul style="list-style-type: none"> Dedicate resources to promote the economic well-being of communities; actively contribute to broader societal goals; cultivate an inclusive culture that values and celebrates diversity; and operate as a sustainable business while embodying social responsibility. 	<ul style="list-style-type: none"> Advocacy on matters important to stakeholders; addressing climate change, encompassing carbon footprint reduction and achieving Net Zero emissions; supporting local community initiatives; and charity donations and charity days for staff to volunteer their time.
Partners	<ul style="list-style-type: none"> Brokers Suppliers Auditors Industry bodies Investors 	<ul style="list-style-type: none"> Ensure ease of interaction and simplicity in dealings; collaborate as trusted partners to achieve shared success; provide helpful, efficient, and approachable service; and take tangible steps to contribute to broader societal goals. 	<ul style="list-style-type: none"> Direct engagement through specialist teams; direct engagement through face-to-face meetings and events; Annual Report and Accounts; Regulatory News Service announcements; and investor reporting.
Regulators	<ul style="list-style-type: none"> Central and local governments PRA FCA 	<ul style="list-style-type: none"> Swiftly and proactively resolve member issues; act within the law and regulations and in the interests of our members; operate in line with the requirements of Consumer Duty, ensuring products are fit-for-purpose and represent fair value; be financially strong and secure by maintaining adequate resources, including capital and liquidity; act with integrity and transparency; and prioritise operational resilience. 	<ul style="list-style-type: none"> Operate in accordance with the law and regulations, prioritising the well-being of our members and customers; quickly and pre-emptively address member concerns; and ensure financial strength and security by upholding sufficient resources, including capital and liquidity.

Corporate Responsibility Report

As a mutual building society, our commitment to making a real and lasting difference in the communities we're part of remains priority. That includes the areas around our 31 branches, our Nottingham head office, and even where our colleagues live and work. Our community support manifests in lots of different ways - from the time our colleagues spend volunteering, to fundraising and donating goods, as well as the financial support given to charities and non-profit organisations to power their work.

In 2025, we invested a total of £144,511 into our communities - that's 1.0% of our 2024 pre-tax profit - and we're really proud of the positive impact that's helped us create together. We're also thrilled to have been a finalist in 2025's East Midlands Business of the Year Awards, in the 'Community Impact' category for our social impact work.



Our ongoing commitment to supporting people who are homeless and at risk

Our Social Impact programme continues to focus on helping people who are homeless or at risk of losing their home, making sure they can access both emergency support and long-term solutions that lead to a safe and stable place to live.

In 2025, we proudly continued our partnerships with Emmanuel House and Shelter, supporting people in need across our city, Nottingham, through Emmanuel House and those seeking support across England through Shelter. In our third year of funding for each charity, we've supported Emmanuel House's

accommodation provisions and Shelter's emergency Webchat service. Our colleagues have continued to raise funds, host donation drives and bring awareness to each charity and the valuable work they do.

We've focused over the past three years to truly entwine our charitable partnerships into the Society and one way this manifested in 2025 is through our Management Development Programme. 23 colleagues have been enrolled onto an accredited programme to build their leadership skills and we challenged them to raise funds for both charities. Colleagues were split into five groups and tasked with raising vital donations for either Emmanuel House or Shelter over a ten-week sprint. Each given £100 for resources, the groups had to work to come up with creative fundraising ideas, manage budgets, write communications and work as team to deliver in the hope of being the most fruitful fundraisers in the challenge. From physical challenges like cycling and walking 500 miles as well as plunging into ice cold water through to community centred events like bake sales, an in-branch Santa's grotto and hot chocolate stations, our teams went big with their passion to raise a combined £108k for Emmanuel House and Shelter.

Amplifying the voice of future talent

It's important to us to show young people in Nottingham that the city can provide fruitful careers and that financial services hosts many career opportunities. In 2025 we continued working with young people identified as at risk of becoming Not in Education, Employment or Training ('NEET')

when they leave secondary education through the charity ThinkForward. A key programme was Business Mentoring, where 18 colleague volunteers hosted 18 young people, for two hours per week, for six weeks. The programme aims to build confidence, self-awareness, communication skills and equip the students with their first CV as well as having practiced interviews in a safe, workplace environment. Feedback from our colleague volunteers included "I enjoyed the entire experience especially getting to know the young people a little, seeing them grow in confidence and getting an insight into their views and opinions". This was our fourth year supporting the programme and we intend to continue our support in 2026.

At the heart of our communities

Our 31 branch locations are empowered to contribute to our work with Emmanuel House and Shelter, as well as receiving the autonomy to support causes most important to their local area. In 2025, our branch colleagues gave 3,125 hours of volunteer time, more than ever before and 47% more than 2024.

Our teams continue to invite members and non-members in their local area to events in branch, aimed at education, building community and charity awareness and fundraising. As we rebrand branches, we're considering how each location's design can complement these events for our local communities.



Growing impact

Alongside our branch teams, colleagues across all locations gave working time to charities and non-profits needing support in 2025. 48% of our colleagues gave their working time to support non-profit organisations, which accumulated in 3,938 hours (2024: 3,522 hours) of volunteer time. We're proud of the year-on-year growth we've seen in colleague contributions, truly living our mutual ethos and showing up for our local communities.

As we look ahead to 2026, we are ambitious in further scaling up our Social Impact programmes both through our charity relationships, our branch locations and by continuing to support colleagues to have a lasting, meaningful impact on our communities.

Building a different kind of Society

Our people define our success as a Society, so supporting them to do their best work to benefit our customers and communities is really important to us.

Creating an inclusive workplace is a journey we remain fully committed to. In 2025, our five colleague inclusion networks played even more of a key role with awareness, education and celebration of our differences. Collectively our networks produced over 100 pieces of content for our intranet site, 'Our Place' and ran various events such as 'SummerFest', an in-office celebration of culture where each network held a stall to share their progress as a group and invite new members. They also championed 'Boost Boxes' sent to every branch to celebrate National Inclusion week. Each network pulled together a 'must

read, must watch and must listen' recommendation list alongside an item that represented them such as balance tea from the Hormonal Health Hub and rainbow merchandise from our Pride network. We were proud to sponsor Notts Pride for a second year running and even more proud to have colleague representation double compared to 2024 attendance. We value the opportunity to publicly stand for our colleagues and communities, no matter someone's personal characteristics.

Beyond our inclusion networks, in 2025 we sharpened our focus on investing in our colleagues and their personal development. We saw an increase in engagement with our e-learning platform, (introduced in 2024), offered 117 hours of leadership coaching and enrolled 23 colleagues onto our Management Development programme; of which 84% are female leaders. Ten colleagues were given memberships to Women in Banking and Finance resources to aid their development with webinars, teaching and networking opportunities.

We also joined Progress Together, a financial services membership organisation that will support us to ensure we're a socio-economic inclusive workplace in a sector that can still be perceived as exclusive. We're looking forward to sharing more of this in 2026. All this activity has accumulated with a finalist position at The Learning Awards under the category 'Learning Impact Award' where the winner will be announced in 2026.

How we support the development of our colleagues and our local communities is high on our priority list and in 2026 we will continue our investment into both groups to further grow our impact as a Society.



Sustainability Report

The Financial Stability Board created the Task Force on Climate-Related Financial Disclosures ('TCFD') to improve and increase consistent reporting of climate-related financial information. The following Sustainability Report presents the Society's climate-related disclosures under the TCFD requirements.

Governance

NBS's Board is ultimately accountable for all climate change related matters. The Executive Committee ('ExCo') is responsible for deriving the Society's strategic response to climate change and overseeing day to day management of climate-related activities. It provides the focal point for climate-related decision-making and is supported by Subject Matter Experts from across the Society. The BRC and the Executive Risk Committee ('ERC') are responsible for oversight of climate-related risks.

The ExCo has ultimate responsibility for co-ordinating all climate-related risks and assessing them collectively as part of the quarterly review of the Strategy Risk dashboard, of which climate risk is a component. BRC (under delegated authority from the Board) has been fully engaged with the Society's response to climate change.

NBS operates a 'three lines of defence' model for risk management, in common with many financial sector firms. Responsibility for identifying, managing and reporting risks, including climate-related risks, resides with the first line of defence. The second line of defence is responsible for providing challenge and

oversight over the first line, the risks being assessed and modelled and oversight of the reporting of them to ensure it remains comprehensive. The third line of defence is responsible for providing independent assurance and assessment of the impacts of climate-related risks.

In addition, NBS has several policies and procedures in place, which define the Society's approach to climate change and ensure that activities are performed consistently and in accordance with the Board's stated objectives and goals.



Strategy

Throughout 2025 we have targeted the reduction in our Scope 1 and 2 emissions as a priority underpinned with a commitment to reduce our overall Stage 1 and 2 emissions by a minimum 10% over the year versus 2024. As detailed in our 2024 report this approach was agreed due to Scope 1 and 2 being more within our direct control.

During 2025 we have focused on continued deployment of various energy efficient and emission reduction initiatives throughout the business, through our in-house Facilities team. In recent years, temperature control devices have been installed in our branches and we have removed all gas boilers from our estate. Additionally, we have rolled out smart meters and introduced passive infrared light sensors across the entire estate. Energy infrastructure has been integrated with an energy analysis portal that allows us to identify when we have spikes in usage, which we can then take steps to address

Working closely with our energy consultants and supplier base we will continue to explore new energy efficient and emission reduction initiatives as the market evolves with new products and technology.

Risk management

Identification

NBS recognises that climate change is far reaching across its business and to capture all the material touchpoints, climate risk is embedded within the Society enterprise-wide. Alongside the scenario analysis, the Society recognises that climate risk can manifest across a broad range of areas.

NBS has eight principal risk categories and climate risk is included as a subcategory under the Society's Strategy Risk Principal Risk Type ('PRT'). This provides an elevated and centralised view of climate related risks. The risk appetite statement states that the Society has a low-risk appetite for not meeting the statutory requirements of climate change and our own stated climate change related goals.

Climate change scenario analysis

The Society assesses climate change risk across two main categories. Physical risk considers the impact of physical effects of climate change or weather-related events such as flooding. Transitional risk assesses the transition to a low-carbon and climate resilient future such as changes in policy and regulation.

Scenario framework and assumptions

Scenario analysis is undertaken in line with the BoE's Climate Biennial Exploratory Scenario ('CBES') published in 2022. Three pathways are assessed, each with different policy, economic and physical-risk assumptions:

Early policy action:

- An orderly transition, with policies introduced gradually;
- Energy prices stabilise as decarbonisation progresses smoothly;
- House prices experience limited disruption; and
- Global warming is limited to 2°C, resulting in a moderate increases in Physical Risk.

Late policy action:

- Climate policy is delayed until 2031, prompting a more abrupt and disorderly transition;
- A short-term macroeconomic shock is assumed, including a fall in property prices and higher unemployment;
- Energy costs rise more sharply due to delayed investment and disruption; and
- Warming remains limited to 2°C, though transition impacts are more severe.

No additional policy action:

- No further climate-related policy intervention beyond what is already enacted;
- Energy costs remain volatile and are assumed to increase over time;
- House prices are affected by progressively higher Physical Risk; and
- Global warming increases to around 3°C, leading to a significant rise in the frequency and severity of climate-related events such as flooding.

These scenarios incorporate assumptions relating to:

- Increases in borrower costs arising from energy-efficiency improvements (EPC upgrades) and the transition to low-carbon heating;
- Potential declines in collateral values where transition costs reduce net property value or where properties face heightened physical-risk exposure;
- Higher credit losses where properties become "stranded" due to either inability to meet minimum EPC standards or very high flood risk leading to uninsurability; and
- Macroeconomic impacts, particularly in the Late Policy Action scenario, feeding through to Probability of Defaults ('PD') and Loss Given Defaults ('LGD').

ICAAP conclusions

The outputs of these scenarios are used to inform the Society's ICAAP and are considered across the relevant risk categories within the RMF. Based on current modelling and assumptions, the ICAAP assessment concluded that no additional capital is required to cover climate-related risks.

Mitigation

Informed by its Climate Risk assessment and scenario analysis, the Society has identified key areas of focus to further strengthen its management of climate-related risks:

- **Enhanced underwriting and monitoring:** improving the identification and ongoing reporting of properties with heightened Physical or Transition Climate Risk;
- **Refinement of Risk Appetite and Credit Policy:** considering specific limits for lending on higher-risk properties; and
- **Product development:** reviewing opportunities to support members in improving energy efficiency and transitioning to a low-carbon economy.

Actions

Several targets and metrics have been developed, which support the risk appetite. These have been informed by several factors, including multiple scenario analyses. The targets considered for 2025 include:

Short-term (1-3 years)

- Reduce Scope 1 and Scope 2 greenhouse gas emissions by 10% by the end of 2025, relative to the 2024 baseline. This aligns with annual business planning cycles and short-term operational viability assessments;
- Refinement of Risk Appetite and Credit Policy: considering the introduction of specific limits for lending on higher-risk properties; and

- Product development: reviewing opportunities to support members in improving energy efficiency and transitioning to a low-carbon economy.

Medium-term (3-10 years)

- Interim reduction milestones (to be confirmed through annual review cycles) will inform strategic planning, capital investment decisions and assessment of resilience under plausible climate transition pathways.

Long-term (10-30 years+)

- Achieve Net Zero greenhouse gas emissions across Scopes 1, 2, and material Scope 3 categories by 2050, with annual review of short-term pathways. This supports long-term strategy and viability assessments and aligns with recognised national and international transition pathways.

The metrics and risk appetite are formally assessed by risk oversight committees (at least quarterly). In addition, climate-related risks are assessed as part of the half-year forecast and corporate planning processes, to ensure that the current assessment of climate-related risks and strategic objectives are aligned and the activities co-ordinated.

NBS recognises that the identification, measurement and forecasting of climate-related risks present unique challenges, not least because of the longer-term nature of the risks, the uncertainty around when and how they will manifest and challenges around accessing reliable data and modelling it effectively, all of which are common, to a lesser or greater extent, to organisations. The Society's approach to climate

change and the effective management of associated risks will inevitably evolve, as internal and external understanding and approaches develop.

The most material climate-related risks identified are as follows:

- Credit risk and the impact of climate change on NBS's existing and future lending books from both a physical and transitional risk perspective;
- Operational risks including impacts on how the Society and its third parties and strategic partners operate and conduct business; and
- Legal, regulatory & conduct risks arising from the need to comply with challenge laws and regulations and the impacts of them on our business operations.

As the most material risks, these will form the focus of the Society's response to climate risk management in the short-term.

Metrics and targets

Carbon Footprint

We have strengthened our relationship with our long-standing utilities partner, Inspired Energy, during 2025 and they will continue to support us in developing our carbon strategy. Deliverables as a direct result of our work with Inspired are as follows:

- quarterly assessment and reporting of our Scope 1 and 2 emissions;
- completion of selected site surveys to understand our current emissions and opportunities for reduction;
- options for carbon offset projects;
- proposal to Reduce Energy Consumption and Cost with HVAC and Heating Controls;
- integration of an energy analysis portal within the Estates and Facilities team
- annual review of our performance against targets; and
- Completion of Energy Savings Opportunity Scheme ('ESOS') Phase 3.

During 2025 we set a target to reduce our Scope 1 and 2 by a minimum of 10% against 2024 full year on a consistent basis. The introduction and implementation of various energy efficient and emission reduction initiatives throughout the year have contributed to Scope 1 and 2 emissions reduction by 16.5%.

We also set out to reduce our electricity usage in 2025 and have achieved a 17.5% reduction through several measures including the completion of the rollout of temperature controls across our branch estate and the increased analysis of our energy usage via the data portal that we now utilise, which has supported us in taking localised actions where anomalies have been identified.

Whilst our core objective will be to ensure that the business meets the Government's Net Zero target date of 2050, we will be seeking to understand our pathway and whether we can deliver aspects ahead of that date.

Key to that understanding has been the establishment of our Carbon Balance Sheet, which details our emissions against Scope 1, 2 and 3. This has been updated and we now have five years of data to support us to monitor trends and performance against targets.

Our internal data has been married with UK Government approved Department for Business, Energy & Industrial Strategy ('BEIS') greenhouse gas emission conversion factors for calculating carbon emissions for a range of activities and processes.

Results of the 2025 data analysis show that we continue to generate over 99.6% of our emissions due to Scope 3 which covers indirect emission sources. Within our Scope 3 emissions over 92.1% are in relation to the carbon generated by properties where the mortgages that we have granted provide part of the funding, but where we do not have direct control over the carbon neutrality or otherwise of those buildings.

In the short-term we have continued to focus on addressing on our Scope 1 and 2 emissions. We report our greenhouse gas emissions in accordance with the Greenhouse Gas ('GHG') Protocol using an operational control boundary. This means we include all emissions from activities and sources over which we have direct operational control.

Sustainability Report (continued)

The data included in our Carbon Balance Sheet, summarised in the table below, therefore reflects our Scope 1, Scope 2 and relevant Scope 3 emissions expressed in tonnes of CO equivalent:

CO ₂ in tonnes	2025		2024	
Scope 1 emissions¹ Direct emissions from owned or controlled sources				
Gas	-	-	-	-
Other Fuels	-	-	-	-
Travel	9	-	8	-
Scope 2 emissions² Indirect emissions from purchased energy				
Electricity	198	-	240	-
Total directly attributable emissions	207	0.4%	248	0.5%
Scope 3 emissions Other indirect emissions that occur in an entity's value chain				
Investments (mortgage portfolio) ³	43,930	-	44,299	-
Purchased Goods and Services	2,324	-	2,396	-
Capital Goods	662	-	392	-
Other ⁴	784	-	755	-
Total indirect emissions	47,700	99.6%	47,842	99.5%
Total emissions	47,907		48,090	
CO₂ per £m of loans and advances to members	11.1		11.4	

1. Scope 1 – Direct Emissions

Scope 1 emissions are calculated using fuel consumption data measured in litres. The methodology for both Scope 1 and Scope 2 CO₂e emissions aligns with recognised standards, including the GHG Protocol (Corporate Standard and Scope 2 Guidance), ISO 14064-1 and ISO 14064-2, and the UK Environmental Reporting Guidelines.

2. Scope 2 – Indirect Energy Emissions (Location-Based)

Scope 2 emissions are derived from electricity consumption as evidenced by electricity invoices. The location-based method is applied, using average grid emissions intensity factors for the region where the electricity is consumed. Emission calculations use the UK Government Emissions Factor Database 2025, incorporating the published gross calorific values (kWh) and associated CO₂e emission factors.

3. Scope 3 – Indirect Value Chain Emissions (Market-Based Electricity)

Scope 3 emissions include those associated with electricity consumption calculated using the market-based method. This approach reflects emissions from electricity products that the organisation has chosen (or not chosen), drawing on emission factors derived from contractual instruments such as bundled energy-attribute contracts or unbundled attribute claims. Market-based emissions are reported in tonnes of CO₂. For this report, market-based emissions have been calculated using REGO-backed electricity contract emission factors.

4. Other Scope 3 Categories

The "Other" category includes emissions arising from business travel (including grey fleet), employee commuting, and leased assets.

Physical risk metrics

Flood risk

Key metrics of physical risk are potential surface water risk, river and sea flood risk. This is assessed based on publicly available flood risk data published by the Environment Agency. The data below categorises our mortgage exposures by annual flood probability as at 31st December 2025 and 2024:

Balance by annual flood probability - 31 st December 2025			
		Total £m	%
High	(>3.3%)	45.5	1.06
Medium	(>1.1%-3.3%)	63.4	1.48
Low	(0.1%-1.1%)	87.9	2.05
Negligible	(<0.1%)	4,006.6	93.47
Unable to categorise	N/A	83.3	1.94
Total		4,286.7	100

Balance by annual flood probability - 31 st December 2024			
		Total £m	%
High	(>3.3%)	89.5	2.11
Medium	(>1.1%-3.3%)	111.5	2.63
Low	(0.1%-1.1%)	505.4	11.92
Negligible	(<0.1%)	3,428.8	80.87
Unable to categorise	N/A	104.7	2.47
Total		4,239.8	100%

Subsidence risk

Our exposure to high-risk subsidence areas remains low, consistent with previous assessments. This reflects our prudent approach to property risk management, which considers factors such as geological conditions, historical claims data, and underwriting controls. We continue to monitor this risk closely and will integrate any relevant insights into future assessments to ensure a comprehensive understanding of our portfolio's resilience.

Transitional risk metrics

As part of understanding transition risks, The Society's lending portfolio has been broken down by EPC rating. This will also allow the Society to work closely with its members to help manage any impact as potential policy and regulatory changes occur. The table below reflects current EPC ratings taken from the England and Wales EPC register across the Residential and BTL portfolios (including Ltd Co BTL).

Energy Performance Certificate Data As at 31 st December 2025		
	Number	Exposure £m
EPC Rating A-C	7,631	1,391.0
EPC Rating D-E	12,181	2,019.0
EPC Rating below E	991	168.0
No EPC available	4,197	708.7
Total	25,000	4,286.7

Energy Performance Certificate Data As at 31 st December 2024		
	Number	Exposure £m
EPC Rating A-C	7,436	1,211.0
EPC Rating D-E	12,236	1,808.5
EPC Rating below E	859	138.2
No EPC available	5,148	1,082.1
Total	25,679	4,239.8

EPC data provides an understanding of the energy efficiency of properties, with an A rating denoting the most energy efficient. This information also informs the Society's scenario analysis for transitional risks.



Your Board of Directors

Non-Executive Directors



Robin Ashton
Chair of the Board and
the Nomination Committee

Robin joined the Board as a Non-Executive Director in December 2023 and was appointed Chair of the Board in July 2024. He is also a Non-Executive Director and Chair of the Audit & Risk Committee of Domestic & General Limited, Member of the Audit & Risk Committee of Domestic & General Insurance plc and Deputy Chair of the supervisory board of Domestic & General Insurance Europe AG. Robin brings sector knowledge and extensive leadership experience to the table, having served as Chair of Leeds Building Society for over seven years and as a Non-Executive Director and Senior Independent Director at Shawbrook Group plc.



Kerry Spooner
Senior Independent Director

Kerry joined the Board as a Non-Executive Director in September 2016. Kerry is also independent Non-Executive Chair of the Remuneration Committee of The Bank of Nova Scotia, London Branch and Non-Executive Chair of the Remuneration Committee of ANZ Banking Group UK Branch. She had 10 years of financial services experience in the Building Society sector before joining the Board. Kerry acted as a Non-Executive Director at two other building societies and has experience as Vice Chair, Senior Independent Director and Chair of Board Risk Committees. Prior to that she worked as a solicitor for 20 years, the last nine years as a Corporate Finance Partner of the international law firm A&O Shearman.



Clodagh Gunnigle
Chair of the Remuneration
Committee

Clodagh was appointed to the Board as a Non-Executive Director on 22nd September 2025. She currently serves as a Non-Executive Director of Alpha Bank London, where she Chairs the Remuneration Committee; and Admiral Financial Services. She is also a Non-Executive Director of a domestic violence charity in Ireland. Clodagh is a chartered accountant with extensive experience in consumer financial services across finance, credit and risk. Her executive career included senior leadership positions at GE Capital and Arrow Global PLC, where she gained significant expertise in governance, transformation, and mergers and acquisitions.



Chris Sparks
Chair of the Risk Committee

Chris was appointed to the Board as a Non-Executive Director on 1st March 2025. He is a non-Executive Director and Chair of the Risk Committee of Unity Trust Bank PLC. Chris spent 9 years at challenger bank Atom as a member of the Executive Committee, ensuring risk management excellence and enabling the successful growth of the bank. Prior to Atom, Chris had a distinguished leadership career in the UK Retail Banking sector where he specialised in finance, data and risk management at HSBC, GE Capital, RBS and Virgin Money.



Peter O'Donnell
Chair of the Audit Committee

Peter joined the Board in January 2021. Peter is a Non-Executive Director at Queen Victoria Hospital Foundation Trust and is a Member of the Board of One Family, a mutual insurance company based in Brighton. He has over 30 years' experience in financial services and worked in a variety of senior finance roles at Prudential, RSA and Aviva. His last executive role was as Executive Vice President at Unum, a Fortune 500 company where he was also CEO of its UK business and Chairman of Unum Poland. Peter has a Bachelor of Commerce Degree from University College Dublin, is a fellow of Chartered Institute of Management Accounting ('CIMA') and has significant experience of both international and UK financial services markets.



Kavita Patel
Non-Executive Director

Kavita joined the Board at the beginning of 2017 and is the Board Consumer Duty Champion. Kavita is also a Non-Executive Director and Deputy Chair of Foresight Enterprise VCT plc. She was previously a Partner and Head of Investment Funds at the law firm, Shakespeare Martineau. Kavita has a wealth of experience gained during her 25 years at Shakespeare Martineau advising clients in the financial services sector, both in the retail and institutional space, on corporate, regulatory and governance matters.

Executive Directors



Sue Hayes
Chief Executive Officer

Sue joined the Society in January 2022 and was appointed as CEO in March 2022. Sue has focused her career in Retail and Business Banking and has held senior positions at Lloyds, HBOS, NatWest, Santander and Barclays. Sue joined challenger bank Aldermore in 2018 and more recently was CEO at GB Bank, a new entrant challenger, which she took through to the first stage of the banking licence and raised additional funding. Sue previously sat on the UK Finance Mortgage Board as Deputy Chair and has been nominated to the UK Finance Mortgage Board again as a Mutual representative. Sue holds an Executive MBA from Cranfield Business School.



Anthony Murphy
Chief Financial Officer

Anthony joined the Society in March 2023 as CFO. He is also a Council Member of the University of Nottingham and Chair of Audit and Risk Committee. Anthony was previously CFO of Tandem, a digital challenger bank, playing a pivotal role in their strategic transformation and journey towards profitability. His prior experience includes CFO positions in a listed regional bank in the United Arab Emirates and senior roles in finance and strategy at Lloyds Banking Group, notably as Finance Director of its Middle East Business and supported its sale to HSBC in 2012. Anthony's extensive international and domestic experience in challenger and established banks continues to support NBS ongoing transformation. Anthony is also a member of CIMA.



Simon Baum
Chief Risk Officer

Simon joined the Board as a Non-Executive Director in June 2018, moving to be appointed as an Executive Director and Chief Risk Officer ('CRO') of the Society in May 2023. Simon has spent over 35 years specialising in risk management within the financial services sector, holding several senior positions at Experian, Alliance & Leicester and Santander, both within the UK and overseas. His previous roles include Director of Mortgage Risk at Santander.

Changes to the Board in the year to 31st December 2025

Chris Sparks was appointed to the Board on 1st March 2025.

Clodagh Gunnigle was appointed to the Board on 22nd September 2025.

Simon Linares retired from the Board on 30th November 2025.

Board Committees

Risk	Chris Sparks (Chair)
	Clodagh Gunnigle
	Peter O'Donnell Kavita Patel
Audit	Peter O'Donnell (Chair)
	Clodagh Gunnigle
	Kavita Patel Chris Sparks Kerry Spooner
Nominations	Robin Ashton (Chair)
	Peter O'Donnell
	Kerry Spooner
Remuneration	Clodagh Gunnigle (Chair)
	Robin Ashton
	Kavita Patel
	Kerry Spooner

Director's Report

Directors' Report

The Directors' Report should be read in conjunction with the Chair's Statement, the Chief Executive's Review and the Strategic Report on pages 4 to 27.

Business objectives and activities

NBS is a strong and successful mutual building society, which builds upon its regional foundations, and has a track record of serving members for over 175 years. At the Society, together we fight for the Extra Ordinary to own their own home.

Information on the Group's business objectives and activities are provided in the Strategic Report on pages 12 to 27.

Business review, future developments and key performance indicators

The Group's business activities and future plans are reviewed in the Strategic Report section of the Annual Report and Accounts on pages 12 to 27. Additionally, within the Strategic Report, we comment upon the financial (and other) key performance indicators used by the Board during the year to assist its control, direction and drive for business results.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are outlined on pages 25 to 27, and our approach to managing these risks can be found in the Risk Management Report on pages 47 to 55.

Financial risk management objectives and policies

As a result of its normal business activities, the Group is exposed to a variety of risks, including credit, market and liquidity risk. The Group's objective is to minimise the impact of these risks, as well as financial risk, upon its performance. The Risk Management Report considers this in detail. A further explanation of the financial risks and the controls in place to manage them (including the use of derivatives), is given in Note 31 to the Annual Report and Accounts. Derivatives, including the impact on the 2024 results, are disclosed in the Strategic Report on page 19.

Results

Group statutory profit before tax for the year was £16.7m (2024: £13.9m). The Group profit after tax for the year transferred to general reserves amounted to £10.7m (2024: profit after tax of £9.3m). As at 31st December 2025, total Group reserves and equity amounted to £266.7m (2024: £253.3m).

Capital

Group gross capital as at 31st December 2025 was £290.8m, (2024: £277.1m) representing 5.7% (2024: 5.7%) of total shares and borrowings. Free capital, as at the same date, amounted to £266.3m (2024: £265.8m) and 5.2% (2024: 5.3%) of total shares and borrowings.

The Annual Business Statement set out on page 133 gives the explanation of these ratios. The Board remains committed to maintaining a capital position in excess of its regulatory capital requirement.

Loans and advances

During 2025, total new lending was £883m (2024: £1,215m) with the average advance being £211,717 (2024: £236,405) and the average debt at the end of the year being £175,486 (2024: £165,109). As at 31st December 2025, there were fourteen cases (2024: sixteen cases) of properties being 12 or more months in arrears or in possession. The total amount of balances outstanding in those cases was £1,786,136 (2024: £1,636,782), with arrears of £240,630 (2024: £190,229).

Mortgage losses realised during the year totalled £0.3m (2024: £nil). Provisions for expected credit losses total £4.5m (2024: £5.2m), representing 0.11% of mortgage balances (2024: 0.12%).

The Group offers several different forbearance options to members including reduced payment concessions, payment plans, capitalisations and mortgage term extensions. As at 31st December 2025, the Group had 91 loans (2024: 76) subject to some form of forbearance.

Supplier payment policy

The Group is committed to deal responsibly with suppliers. The policy is that payment will be made 30 days from the receipt of the invoice, provided that the supplier has complied with all relevant terms and conditions. Variation of the 30 day policy can be agreed at the time an order is placed.

As at 31st December 2025, the total amount owed to suppliers was equivalent to 15 days' credit (2024: 27 days).

Charitable and political donations

During the year, the Group made charitable donations of £144,511 (2024: £124,437). No contributions were made for political purposes.

Country-by-country reporting

The Capital Requirements (Country-by-Country Reporting) Regulations place certain reporting obligations on financial institutions within scope of the Capital Requirements Directive.

The nature of the activities of the Society are set out under business objectives of this report and for each of the Society's subsidiaries in Note 16 to the Annual Report and Accounts. All the activities of the Society and its subsidiaries are conducted in the UK and therefore 100% of the total income, statutory profit before tax and tax shown in the Income Statement as well as employee figures disclosed in Note 7, are related to the UK. The Society and its subsidiaries have not received any public subsidies.

Environment & sustainability

The Sustainability Report on pages 32 to 37 outlines the Society's position in line with the requirements of the Financial Stability Board's TCFD.

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

The Directors are responsible for preparing the Annual Report, Annual Business Statement, Directors' Report and the Annual Accounts in accordance with applicable law and regulations. 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 ('IAS') and applicable law and have elected to prepare the Society Annual Accounts on the same basis.

The Group and Society Annual Accounts are required by law and UK adopted IAS to present fairly the financial position and the performance of the Group and the Society; the Act provides in relation to such Annual Accounts that references in the relevant part of that Act to Annual Accounts giving a true and fair view are references to their achieving a fair presentation.

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

- select suitable accounting policies in accordance with International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether they have been prepared in accordance with UK adopted IAS and those parts of the Building Societies Act 1986 and Building Societies (Accounts and Related Provisions) Regulations 1998 applicable to societies reporting under UK adopted IAS; and
- prepare the Annual Accounts on the 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 for accounting records and internal control

The Directors are responsible for ensuring that the Group:

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

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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 UK Corporate Governance Code

As required by the UK Corporate Governance Code, the Directors confirm their opinion that the Annual Report and 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. Details of the governance procedures that have been implemented to support this can be found in the BAC Report on pages 64 to 66.

Going concern and viability

Going concern

In preparing the Annual Accounts the Directors must satisfy themselves that it is reasonable to adopt the going concern basis.

The Directors have considered the risks and uncertainties discussed on pages 25 to 27 and 47 to 55, and the extent to which they might affect the preparation of the Annual Report and Accounts on a going concern basis. Key to this consideration were the risks associated to regulatory capital, liquidity and financial performance, together with the potential effects of prevailing interest rates, inflationary pressures and climate-related factors.

The Group's business activities and future plans are reviewed in the Chair's Statement and Chief Executive's Review on pages 4 to 11. In addition, Note 31 to the Annual Report and Accounts includes the Group's policies and processes for managing financial instrument risk such as liquidity risk, interest rate risk and credit risk.

As with many other financial institutions, the Group meets its day-to-day liquidity requirements through prudent management of its retail and wholesale funding sources. It ensures it maintains sufficient liquidity to meet both normal business demands and those that may arise in stressed circumstances. The Society has a surplus to regulatory capital requirements and is forecasting this to remain across the going concern assessment period.

Furthermore, the Group's forecasts and plans, taking account of current and possible future operating conditions, including stress tests and scenario analysis, which have considered income, expenses and overall quality of the mortgage portfolio, indicate that the Group has sufficient operating liquidity and capital for the foreseeable future, and specifically for the going concern assessment period to 4th March 2027, covering a period of at least twelve months from the date of the approval of the Annual Report and Accounts.

As such, the Directors are satisfied that the Group has adequate resources to continue in business and to use the going concern basis in preparing the accounts.

Viability statement

In accordance with the 2024 Guidance to the UK Corporate Governance Code, the Board has also assessed the prospects of the Society over a period longer than the 12-months required by the going concern provision. The Board has conducted this review for a period of five years. This is consistent with the planning horizon used for corporate planning.

The corporate plan considers the Group's profitability, cash flows, liquidity and capital requirements as well as other key financial ratios over the period. These ratios are subject to sensitivity analysis and stress testing, which involves varying the main assumptions of the forecast, both individually and in unison. Where appropriate, this stress testing is carried out to evaluate the potential impact of the Group's principal risks occurring (which are outlined in the Risk Management Report on page 48).

The Society maintains continuous monitoring of the external environment to identify both current and emerging risks. This includes assessing the implications of changes in the interest rate environment, alongside the potential impacts of other risks such as those associated with climate change and operational resilience. We continue to develop and strengthen our key financial crime and cyber controls to safeguard our customers and services, while ensuring ongoing compliance with all regulatory obligations.

Based on the reviews completed, the Board considers that the Society is viable over the medium-term.

Directors

The names of the Directors of the Society who served during the year and up to the date of signing the accounts, their roles and membership of board committees are detailed in the Governance section on pages 58 to 63. Other business interests are shown in the Annual Business Statement. None of the Directors have any beneficial interest in, or any rights to subscribe for shares in, or debentures of, any connected undertaking of the Society, as at 31st December 2025.

Subsequent to the year end, Anthony Murphy formally resigned from his position as the Society's CFO. He will continue to stand for re-election and remain in post until his planned departure in May 2026.

Auditor

A resolution to reappoint Ernst and Young LLP as auditors of the Society will be proposed at the AGM.

On behalf of the Board,

Robin Ashton

Chairman

4th March 2026

Nomination Committee Report

Statement by the Chair of the Nomination Committee

I am pleased to introduce our 2025 Nomination Committee ('NomCo') report, offering an overview and summary of our actions throughout the calendar year. This report also provides details regarding the Committee's role and duties.

Committee responsibilities

The NomCo plays a vital role in building a capable and diverse leadership team and fostering the organisation's long-term success.

- Oversight of succession planning and pipeline development for Directors and Senior Management, ensuring an appropriate focus on the balance of skills, knowledge, experience and diversity;
- Succession planning for the board and its committees;
- Oversight of the appointment and induction process for Board candidates;
- Agreeing the approach and coordination of the annual Board Performance Review;
- Review of the Directors Conflicts of Interest Policy, including monitoring any potential, perceived or actual conflicts of interest; and
- Ongoing assessment of the independence and time commitment of Non-Executive Directors.

Committee structure and operations

The Committee membership on 31st December 2025 comprised:

Robin Ashton (Chair)	Non-Executive Director and Chair of the Board
Peter O'Donnell	Non-Executive Director and Chair of the BAC
Kerry Spooner	Non-Executive Director, Senior Independent Director

The detail of the skills and experience of the Committee members can be found in their biographies on pages 38 to 39.

The Committee met on six occasions during the year. After each meeting, the Committee Chair reports to the Board the activities of the NomCo, highlighting significant decisions made.

Appointments

In November 2025, Simon Linares stepped down from his role as Non-Executive Director, Chair of the Remuneration Committee and member of this Committee. To ensure a suitable ongoing membership of the Committee, Peter O'Donnell, Chair of the BAC, was invited to join NomCo upon Simon's departure.

Committee activities

The following outlines the Committee's activities and areas of focus during the year:

Appointments	<ul style="list-style-type: none">• Recommended the appointment of two Non-Executive Directors – Chris Sparks and Clodagh Gunnigle. These appointments were subject to extensive external checks and regulatory approval;• Recommended the appointment of an Interim CFO due to cover a period of illness for Anthony Murphy, and the permanent appointments of the Society's Chief Customer Officer ('CCO'), Chief Savings Officer ('CSO') and Chief Technology Officer ('CTO'); and• Received updates from management on the status of Senior Management Function applications.
Succession Planning	<ul style="list-style-type: none">• Reviewed the succession plans for both the Board and Senior Management; and• Agreed a candidate profile and engaged a third-party to begin searching for a new Non-Executive Director.
Board Composition, Commitment & Development	<ul style="list-style-type: none">• Reviewed the size and composition of the Board and its committees;• Engaged a third-party to facilitate its triennial external Board Performance Review, the results of which will be reported in the 2026 Annual Report & Accounts;• Reviewed the independence of Non-Executive Directors; and• Continued a Board development plan and associated activities to support it.

Independence

The Committee monitors the independence and tenures of the Society's Non-Executive Directors, and makes recommendations to the Board on such matters.

Kerry Spooner reached the end of her nine-year term as a Non-Executive Director on 1st September 2025. NomCo reviewed her independence and tenure, and the Board concluded that she should remain as an independent Non-Executive Director until the 2026 AGM. To provide continuity of leadership for the benefit of the Society and its members, the Board invited Kerry to seek re-election as a non-independent Non-Executive Director at the 2026 AGM for a further year. To ensure the highest standards of independence expected by the Code, Peter O'Donnell was invited to become the Senior Independent Director from the conclusion of the 2026 AGM, subject to regulatory approval.

Kavita Patel reached the end of her nine-year term as a Non-Executive Director on 1st January 2026. NomCo reviewed her independence and tenure and the Board concluded that she should remain as an independent Non-Executive Director until the 2026 AGM. Kavita will not seek re-election at the AGM.

Equity, diversity and inclusion

The Committee's role is to ensure that both the Board and the Senior Leadership team mirror the Society's goal of 'Inviting Difference In', by valuing and embracing all colleagues and their unique perspectives.

Diversity encompasses various dimensions, including a well-rounded mix of skills, experiences, backgrounds and qualifications in our workforce. We recognise the substantial benefits that diversity brings, particularly in decision-making. Our commitment to diversity and inclusion extends beyond numerical targets. Our Diversity, Equity and Inclusion ('DE&I') strategy forms the basis for engaging all colleagues, from the Board to the branch network.

We remain a signatory to the HM Treasury Women in Finance Charter; we achieved our gender diversity target of 42% this year, with a total of 43% of women in Senior Management positions. We have also set ourselves an ambitious target of 50% representation of women in Senior Management positions for 2026.

We continue to support five employee representation Groups which promote women in business, wellbeing and inclusivity of race and ethnicity, namely: 'Women in NBS', 'Mental Health & Wellbeing', 'Hormonal Health', 'Pride' and 'Embrace'. These influential groups represent various viewpoints, experiences and communities who generate thought-provoking work and education to enhance our business and workplace, creating a sense of belonging and opportunities for all.

Other matters

Subsequent to the year end, Anthony Murphy has formally resigned from his position as the Society's Chief Financial Officer. He will continue to stand for re-election and remain in post until his planned departure in May 2026. The Society has commenced a formal recruitment process to appoint his successor, and this process is currently underway.

Robin Ashton

Chair of the Nomination Committee
4th March 2026

A large, stylized orange graphic resembling a thick, curved line or a partial circle, positioned in the upper half of the page.

Risk Management Report

Risk Management Report

NBS recognises risk as a natural consequence of its business activities and environment. It endeavours, through positive risk strategies, to manage these in a manner that ensures delivery of its strategic objectives and business plan, whilst protecting members' interests and its financial resources.

The Board is responsible for ensuring that an effective framework is in place to promote and embed a risk-aware culture that identifies, appropriately mitigates and manages the risks the Group and Society face while delivering its strategic objectives. This includes both current risks and future risks, including those associated with the implementation of strategy.

The Board reviews and approves key risk management policies annually, including the RMF, Risk Appetite, ICAAP, ILAAP, Recovery and Resolution Plan ('RRP'), Solvent Exit Analysis ('SEA') and Solvent Wind Down Plan ('SWDP').

In pursuing its strategy, the Board ensures there are appropriate capabilities and resources available, along with sufficient capital strength to succeed. This includes focusing on risk and reward to ensure both remain at an acceptable level.

The Society operates a committee governance structure which enables focused oversight and has clear lines of accountability and alignment to responsibilities allocated under the Senior Managers and Certification Regime ('SMCR').

The Risk Management Framework

NBS is a low-risk, UK-based organisation and, in common with other financial institutions, the nature of the business results in several unavoidable or inherent risks. The Society captures the most material risks to which it is exposed within eight Principal Risks as follows:

Strategy & Business Model Risk	The risk that NBS does not have an appropriate strategy and Corporate Plan to deliver sustainable long-term value to members and / or fails to effectively implement and execute the strategy. Strategy Risk includes consideration of climate related risks.
Capital Management	The risk that NBS does not maintain sufficient capital to meet regulatory requirements, absorb unexpected losses, or support its operations effectively. This includes NBS's ability to allocate capital effectively and manage it prudently across a range of business and economic environments, ensuring resilience to financial stresses and compliance with regulatory standards.
Market & Interest Rate	The risk to NBS's net interest income and economic value arising from changes in market interest rates and mismatches in the Society's Balance Sheet.
Retail Credit	The risk of loss stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. [Note: wholesale credit risk is covered under Liquidity and Funding Risk].
Liquidity & Funding	The risk that NBS, although solvent, does not have sufficient financial resources available to meet its obligations as they fall due.
Legal & Regulatory	Legal & Regulatory Risk is the risk that NBS: fails to comply with legal and regulatory requirements; fails to enter into legally effective contracts; and/or acts in a way that leads to litigation being commenced against it.
Customer & Conduct	The risk associated with failure to deliver good outcomes for NBS's members.
Operational	The risk of losses or impact on customers, reputation or resilience, resulting from inadequate or failed procedures, systems and controls, including those resulting from disruption or damage to technology, poor implementation of software or cyber/data breaches.

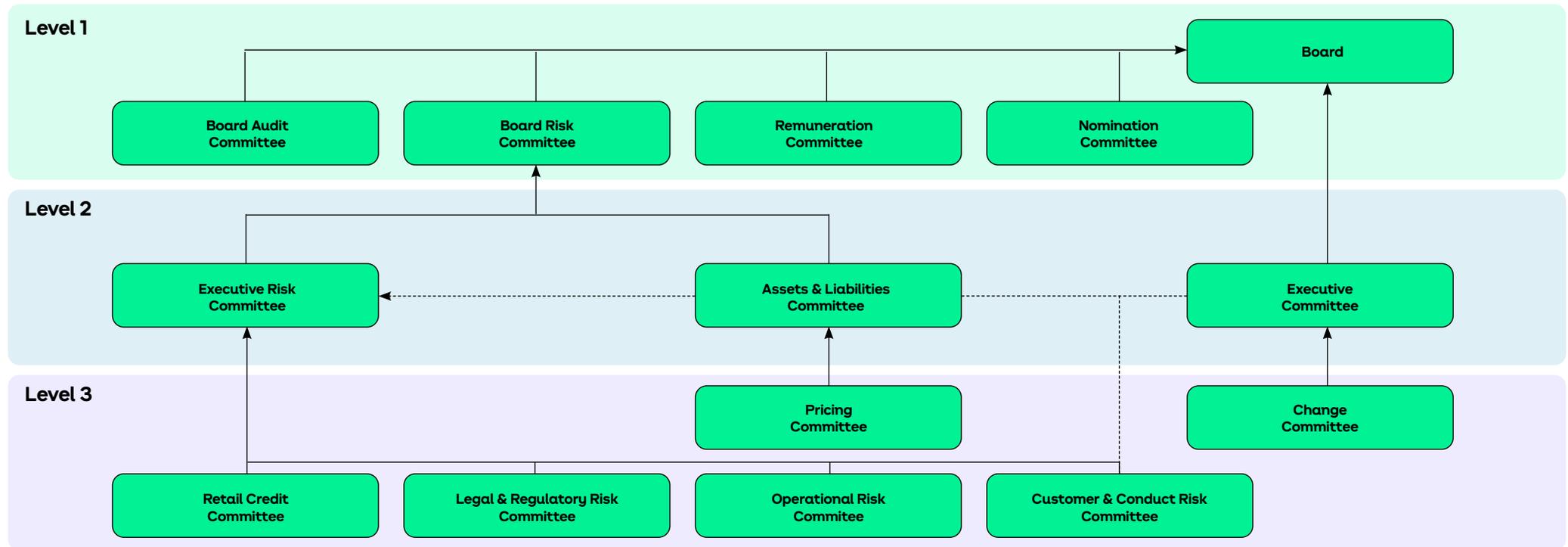
Risk Management Report (continued)

The RMF is an integral part of the Group's formal structure, assisting the Board in overseeing all aspects of risk management. BRC reviews and approves policy statements, risk appetite statements, and risk management committee terms of reference. It receives summary management information and minutes from the individual risk management committees.

The RMF is reviewed annually by the BRC and recommended to the Board for approval. It is based on the 'three lines of defence' model (described on page 62) and focuses on:

- Clear accountability and ownership;
- Defined roles and responsibilities;
- Identification and definition of PRTs;
- Definition of Risk Appetite Framework;
- Establishment of the generic risk management cycle (Identify, Assess, Manage, Report);
- Articulation of the respective roles of the three lines of defence; and
- Approach for monitoring and reporting on risk.

Day-to-day risk management is the responsibility of the ERC, which oversees the Society's risk committees, as detailed in the diagram below:



Board Risk Committee

As detailed on page 56, the membership of the BRC comprises of Non-Executive Directors. It is responsible for ensuring:

- Key risks are identified and appropriate steps taken by Management to mitigate them;
- New and emerging risks are identified and reviewed through the horizon scanning process;
- Due consideration is given to all significant matters relating to governance, control, regulatory and compliance issues;
- Capital and liquidity are maintained to address the Group's key risk exposures, both to ensure regulatory compliance and to support the achievement of strategic goals;
- All conduct risks (including Consumer Duty) are properly considered, to ensure regulatory compliance and the achievement of good outcomes for all our members;
- NBS has considered the risks to operational resiliency and mitigated them to within approved tolerances;
- Climate related financial risks have been appropriately identified, managed and mitigated; and
- The effective monitoring of the Group's key risks and controls.

BRC meets at least four times per year to review risk management activities and consolidated management information regarding existing and emerging areas of risk.

The scope of the BRC extends to all types of risk faced by the Group with the management of certain risks being delegated to the ERC, ExCo and relevant management committees. The responsibilities of these committees are described below.

Executive Committee

The ExCo is responsible for acting on behalf of the Board in formulating strategy, the business plan and for organising the Society's assets and resources to deliver value to members in a fair and appropriate manner. The Committee is chaired by the CEO and comprises all Executive team members.

Strategic Risk

When discussing future strategy, the ExCo and ultimately the Board takes care to ensure that risks associated with maintaining a sustainable society are evaluated and that plans are in place to affect any required risk mitigation. These include risks associated with changes to the external and economic environment, regulatory and statutory developments, people and resources, strategic partnerships and alliances and change execution. The ExCo oversees the detailed evaluation and monitoring of these risks.

The Committee also oversees the management of risks relating to changes in the external environment, which have the potential to affect the Group's business model either through the level of demand for products and services and / or its ability to meet that demand. This includes responsibility for monitoring the macroeconomic environment and formulating NBS's strategic response to regulatory

changes relating to climate change, operational resilience and Consumer Duty.

The Committee looks to mitigate this exposure through regular review of its Group corporate plan, ensuring activities remain within risk appetites.

Executive Risk Committee

The ERC is responsible for acting on behalf of the Board and the BRC in the management and oversight of NBS's principal risks. It reviews relevant policies to ensure that the Society acts in such a way as to organise, manage and protect the Society's assets to deliver value to members through the provision of savings and mortgages, whilst remaining within legal, regulatory and agreed Board risk appetites.

The Committee enables the BRC to fulfil its role by ensuring that:

- There is executive level oversight of the RMF;
- Accountability and responsibility for managing risk is clearly defined;
- The risk culture of the Society is defined and embedded;
- The nature and extent of the most material risks to NBS are determined and understood, including the eight PRTs and any thematic risks;
- Appropriate risk appetites are defined and documented;
- NBS, at all times, operates within stated risk appetites;
- Processes are in place to consistently identify, measure, assess, monitor and control risks;

- The risk event process is effectively capturing and reporting on operational failures;
- The horizon scanning process is identifying emerging risks and regulatory themes;
- NBS is compliant with regulatory requirements, including the ICAAP and ILAAP process;
- The Society operates within its impact tolerance statements for its important business services and remains operationally resilient;
- NBS maintains an up to date and adequate RRP which fully reflects the requirements of the Board and regulators; and
- Conduct related risks are appropriately identified, managed and reported to the BRC.

The Committee is provided with regular updates on the principal risk categories by first line management.

To ensure the effective monitoring and reporting of risk, NBS maintains a risk register to help management assess the probability and impact of the risks identified, and the effectiveness of mitigating controls.

The Committee is chaired by the CRO and includes all Executive SMFs, risk owners and other senior colleagues.

Assets and Liabilities Committee

The Assets and Liabilities Committee ('ALCo') is responsible for overseeing NBS's liquidity risk, market and interest rate risk, wholesale credit risk and its capital risk. In addition, ALCo reviews treasury activity

for compliance with approved treasury policies and procedures. The Committee is chaired by the CFO and the membership is made up of relevant senior executives including but not limited to the CEO and CRO; the Head of Treasury; and other relevant senior managers.

Market & Interest Rate Risk

The Society defines market and interest rate risk as the risk to net interest income and economic value arising from changes in market interest rates and mismatches in the Society's Balance Sheet. Economic value is the present value of the Society's future cash flows.

As the uncertain economic environment persists, the Society continues to actively monitor its position against its interest risk appetite to mitigate the impact that any future change to interest rates might have in adversely affecting the Society's interest margin.

The Society's limits for the management of market and interest rate risk are documented in the Market & Interest Rate Risk policy, which is developed, defined and recommended by ALCo and considered and approved ultimately by the BRC.

Basis, gap and repricing risk are all elements of interest rate risk captured by the market and interest rate risk category.

The Treasury Middle Office team measures the levels of interest rate risk in the Society's Balance Sheet, as well as subjecting the Balance Sheet to stress tests designed to measure the likely impact of a sudden change in interest rates. This is assessed weekly for stresses to economic value and monthly for stresses

to net interest income and monitored against the Board approved risk appetite.

The Treasury team is responsible for day-to-day management of the Society's interest rate risk exposures within the approved risk appetites. Typically interest rate risk is managed by taking advantage of natural hedging opportunities within our Balance Sheet or using appropriate hedging instruments.

ALCo is responsible for reviewing Treasury activity, performance and compliance with the approved policy and risk appetites.

Liquidity Risk

The Society defines liquidity risk as the risk that the Society, although solvent, does not have available sufficient financial resources to enable it to meet its obligations as they fall due. This risk is managed through holding cash and other high quality liquid assets and maintaining wholesale funding facilities.

ALCo develops, defines and recommends the liquidity risk appetite, which is considered and approved by the Board and documented in the Liquidity Risk policy. The liquidity risk appetite helps to ensure that the management of the liquidity portfolio by the Treasury team supports the corporate plan.

The Liquidity policy sets the framework for the day-to-day activities of the Treasury team to ensure that all liquidity management activities are conducted within approved risk appetites. The Society maintains a diverse funding base and ensures compliance with applicable regulatory requirements. Defined control limits determine the overall level of liquidity to be

maintained. The base level and composition of the Society's liquidity is subject to PRA guidance and regular stress testing and is also documented as part of its ILAAP, as required by the PRA.

The Society is required to be compliant with the LCR, which measures the amount of HQLA relative to modelled net stressed cash outflows within a 30-day period.

The Society also maintains a funding profile in line with the Retail Deposit Ratio ('RDR'), which ensures that a sufficient proportion of our lending is supported by stable retail deposits, reflecting our focus on sustainable, member-funded growth.

Based on our current and forecast liquidity positions, the liquidity portfolio held by the Society comfortably exceeds the minimum requirements of the LCR. Similarly, the funding profile exceeds the future requirements under the NSFR.

The Society has documented an RRP, which describes those metrics that would indicate an emerging market-wide or Society-specific stress event. The Plan includes a range of options available to the Society should such a stress event crystallise to ensure adequate levels of liquidity and capital are maintained.

Regular stress testing is performed to confirm that the Society's available liquidity is adequate, within risk appetite and is sufficient to support extreme levels of net cash outflows.

Responsibility for the day-to-day operational management of liquidity risk lies with the Head of Treasury, with operational oversight provided by the

Treasury Middle Office team and reported to ALCo. A detailed analysis of the Society's liquidity profile can be found on page 23.

Wholesale Credit Risk

Wholesale credit risk arises from counterparties who may be unable to repay loans and other financial instruments that the Society holds as part of its liquidity portfolio.

The Society's risk of counterparty default is relatively low due to the high proportion of total liquidity held in UK Sovereign debt securities and the BoE Reserve Account. The composition of the treasury assets can be found on page 23.

The Society's Liquidity policy sets out the amounts, products and counterparties under which Treasury liquid assets can be held. Credit worthiness of counterparties is assessed using several factors including minimum acceptable credit ratings approved by the BRC, together with lending limits. The policy also allows for investments in multilateral development banks, covered bonds and RMBS, subject to criteria set by the BRC. The Board does not permit any lending directly to sovereign states, other than the UK Government, and all lending is in Sterling.

The Board, via the approved policy, further restricts the level of risk by placing limits on the amount of exposure that can be taken in relation to one counterparty or group of counterparties, and to industry sectors and geographical regions.

The Society's Treasury team has day-to-day responsibility for operating within Board approved credit limits. Monitoring and oversight, including assessment of counterparty credit worthiness, is undertaken by the Treasury team to ensure all exposures remain within risk appetite. This information is shared with ALCo.

Capital Risk

NBS conducts timely evaluations of its capital adequacy and financial resources to determine the level of capital required to support current and future risks contained within its strategic plan. This process, which is a regulatory requirement, is known as the ICAAP.

The ICAAP assesses NBS's future capital requirements by considering changes to business volumes, the type and mix of assets, and business activities within the context of current and future anticipated risks and stress scenarios. The ICAAP also incorporates the Capital Requirement Directive requirements.

The PRA uses the ICAAP during its Supervisory Review and Evaluation Process ('SREP') through which it determines the amount of capital it requires NBS to hold.

The Board monitors the current and future level of capital held by the Society in relation to its TCR on a regular basis. The Society's current and future capital levels remain well in excess of the PRA requirements. An analysis of the components of NBS's current capital position can be found in the Strategic report on page 24.

Pricing Committee

The Pricing Committee is a sub-committee of the ALCo. The Committee is responsible for managing the Society's Mortgage and Savings pricing with reference to target Risk adjusted Return on Capital, Margins and volumes to achieve the strategy outlined by the Board-approved Business Plan.

The Committee reviews appropriate Management Information ('MI') in relation to the Society's mortgages and savings in order to assess volume and profitability performance and initiate any required actions to remediate underperformance or deliver overperformance against the key customer balance sheet and income lines. The Committee has the ability to approve pricing changes to support business plan objectives.

Retail Credit Committee

RCC is comprised of relevant executives and senior managers and chaired by the CRO. It is responsible for oversight of the Society's retail credit risks, which includes exposures to residential and BTL mortgages, limited company BTL mortgages and SBL.

Retail Credit Risk

The Society defines retail credit risk as the risk of loss stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. As a building society, this is most likely to arise through the inability of borrowers to repay a mortgage. The Society's exposure to retail credit risk is limited to the provision of loans secured on property within England and Wales.

A Retail Credit Risk Framework and associated credit risk appetite is developed and proposed by the RCC, reviewed by ERC and considered and approved by the BRC (with risk appetite being reserved for approval by the Board). The Society manages the level of credit risk it undertakes by applying various control disciplines, the objectives of which are to maintain asset quality in line with approved risk appetite. The Board receives regular monthly information on risk appetite limits.

Exposure to retail credit risk is carefully monitored by the RCC. Day-to-day retail credit risk is managed through the application of prudent lending policies, which are aligned to the stated risk appetites. This ongoing monitoring provides assurance that current and future exposures, such as LTV levels, geographic concentration and probability of default, are managed within the risk appetite limits set by the Board.

The Society remains committed to promoting home ownership and its risk appetite allows lending to first time buyers, but it restricts the overall level of high loan-to-value lending to limit concentration risk. Similarly, NBS continues to follow its long-term policy of also offering interest-only products to a small number of borrowers, which are covered by strict policies and monitoring procedures.

The Society regularly stress tests the mortgage portfolio to detect any signs of potential payment stress or sensitivity for its borrowers to the impact of future rate rises. The mortgage portfolio shows resilience to the impact of recent rate rises, but the Society ensures adequate monitoring and analysis are in place to ensure early detection of any

potential deterioration. Considering recent regulatory developments, the Society has also designed a stress testing framework for the potential effects of climate change on property values. This will be an area of increased focus in future years for the Society, the wider sector and the regulators.

All mortgage loan applications are reviewed by an individual underwriter supported using application scorecards. Credit reference bureau data is obtained on all applications, which in turn supports our responsible lending requirements. The Society also shares account performance data with the selected bureaux. The Society's lending has become increasingly geographically diversified throughout England and Wales over the last few years with no one area dominating the portfolio.

The Society continues to be a responsible lender and its approach to lending is based on making sure that members can afford to meet their mortgage repayments from the outset, using a prudent affordability calculator, as well as our manual underwriting processes. Should members find themselves in financial difficulty, the Society responds with appropriate forbearance and collections activities to ensure good member outcomes. It also supports members who experience temporary financial difficulties by providing the assistance they require to enable them to regularise their financial arrangements. Only as a matter of last resort does the Society seek to take a property into possession.

The Society is committed to providing support to those members who are experiencing difficulties in meeting their mortgage payments due to the impacts of the cost-of-living crisis. We will continue to ensure that members receive good outcomes and offer appropriate forbearance activities throughout the cost-of-living crisis and beyond.

The Society does not have any exposure to the sub-prime mortgage market, it lends only to 'prime' customers and has never written 'self-certified' lending business.

Legal & Regulatory Risk Committee

The Society, being a provider of mortgage and savings, is regulated by both the FCA and the PRA.

The LRC oversees how NBS manages legal and regulatory risk so that services are conducted in line with relevant legislation and statutory requirements.

The Committee is chaired by the General Counsel & Society Secretary, supported by relevant senior managers.

Each business area is responsible for ensuring that all regulatory and statutory requirements are complied with on a day-to-day basis. Formal oversight is provided by the Compliance Function through a programme of compliance monitoring.

NBS has a very low appetite for breaches of regulation or for any activity that may breach its legal obligations.

Operational Risk Committee

ORC is responsible for actively overseeing the management of operational risk across NBS. It is also responsible for ensuring that the Society maintains sufficient operational resilience to ensure the ongoing delivery of key services to members.

The Committee is chaired by the CTO supported by relevant senior managers.

To allow the Committee to focus on the key elements of operational risk (which includes 'people risk' in respect of our own colleagues and 'third party risk' in respect of reliance on third parties and partners to deliver key elements of our proposition and our operational resilience framework), the Committee meets monthly.

NBS defines operational risk as the risk of loss resulting from human factors, inadequate or failed internal processes and systems, or from external events. Operational risk exists in every aspect of NBS's business activities. Proactive management of operational risk is essential in helping NBS achieve both short-term operational objectives and longer-term strategic goals.

To ensure that NBS's services are operationally resilient, the Committee is also responsible for ensuring that processes are in place to prevent, adapt, respond to, recover and learn from operational disruptions. The Committee oversees the process by which the Society identifies its important business services, understands and remediates any potential weaknesses in the supporting processes, ensures that appropriate

business continuity plans are in place and verifies that third party suppliers can meet our members' needs at all times.

One of the key processes that support the effective identification and management of operational risk is the risk event process, which provides a mechanism for operational incidents to be reported, their impacts assessed, remediation to be performed and root cause analysis to be undertaken, thereby reducing the risk of recurrence.

The Committee also continues to work on embedding the Society's approach to operational resilience, in response to the Regulator's increased focus in this area.

Customer Conduct Committee

Customer & Conduct Risk Committee ('CCRC') is charged with overseeing customer and conduct risks across all relevant business activities and is chaired by the Chief Customer Officer. It has general responsibility for monitoring the Society's alignment with the Consumer Duty to support good outcomes for members.

The Committee reviews relevant management information and reporting on customer impacting matters, including but not limited to: Complaints MI, customer impacting risk events, performance data on customer facing processes and has general oversight of the impact of product and pricing on members.

The Committee also exercises specific focus on regulatory obligations to members around affordability and vulnerability.

Change Committee

Change Committee ('CC') is chaired by the CTO and is responsible for the oversight and management of Transformation and Change risk; for which it reports to ExCo. It is also responsible for ensuring that transformation and change activity supports the effective delivery of the Society's strategy. The CC acts on behalf of the ExCo, monitoring delivery execution and operational tolerance impact of transformational, large and small business change for the Society through the effective control of a portfolio of change activity. The CC is informed by the Group corporate plan and specifically owns the change execution plan on behalf of the ExCo, ensuring effective delivery, balancing risk and benefit in the achievement of the Society's strategy.



Board Risk Committee Report

Statement by the Chair of the Board Risk Committee

The BRC is tasked with ensuring fit for purpose risk management arrangements are in place and for reviewing the Society's risk exposures on an ongoing basis, on behalf of the Board. It assesses applicable policies to ensure that the Society operates in a manner that safeguards and efficiently administers the Society's assets, delivering benefits to members via savings and mortgages, all while adhering to legal requirements, regulations, and the agreed-upon risk appetites of the Board.

Committee structure

The BRC is a Board Committee and at 31st December 2025, the Committee membership was made up as follows:

Chris Sparks (Chair)	Non-Executive Director and Chair of BRC
Kerry Spooner	Non-Executive Director, Senior Independent Director
Peter O'Donnell	Non-Executive Director and Chair of the BAC
Kavita Patel	Non-Executive Director
Clodagh Gunnigle	Non-Executive Director and Chair of RemCo

The detail of the skills and experience of the Committee members can be found in their biographies on pages 38 to 39.

The Committee met on eight occasions during the year. After each meeting, the Committee Chair reports to the Board the activities of the BRC highlighting significant decisions made.

Appointments

On 1st March 2025, Chris Sparks was appointed to the Board as a Non-Executive Director and a member of the BRC. Subsequently Chris was appointed Chair of the Board Risk Committee and chaired his first meeting on 6th June.

Kerry Spooner stood down as Chair of Board Risk Committee and chaired her final meeting on 28th April 2025. She continues as a member of the Committee.

Simon Linares retired from the Board on 30th November 2025. He stood down as a member of BRC on 6th November 2025.

Committee responsibilities

The BRC monitors the Society's overall risk exposure. The BRC enables the Committee to fulfil its role by ensuring:

- There is executive-level oversight of the RMF;
- Accountability and responsibility for managing risk are clearly defined;

- The risk culture of the Society is defined and embedded;
- The nature and extent of the most significant risks to the Society are determined and understood, including the eight principal risk types and any thematic risks;
- Appropriate risk appetites are defined and documented;
- NBS, at all times, operates within stated risk appetites;
- Processes are in place to consistently identify, measure, assess, monitor, and control risks;
- The risk event process is effectively capturing and reporting on operational failures;
- The horizon scanning process is identifying emerging risks and regulatory themes;
- The Society is compliant with regulatory requirements, including the ICAAP and ILAAP process;
- The Society operates within its impact tolerance statements for its important business services and remains operationally resilient;
- The Society maintains an up-to-date and adequate RRP;
- Conduct-related risks are appropriately identified, managed, and reported (including Consumer Duty related); and
- Climate related financial risks are appropriately identified, managed and mitigated.

Committee activities

The following outlines the Committee's activities and areas of focus during the year:

Strategy & Risk Appetite	<ul style="list-style-type: none">• Review of strategic risk appetite statements;• Review of operational resilience self-assessment; and• Review of strategic risk dashboards.
Policy	<ul style="list-style-type: none">• Review and update to the Society's RMF;• Review and update to the Society's Operational Risk Management Framework;• Annual review and approval of Capital Adequacy and Liquidity and Funding Risk Policies;• Annual approval of Compliance Monitoring Plan; and• Approval of Financial Crime Policy.
Stress Testing	<ul style="list-style-type: none">• Review and recommendation of the ICAAP to the Board;• Review and recommendation of the ILAAP to the Board;• Review and recommendation of the RRP to the Board;• Review and recommendation of Pillar 3 Disclosures to the Board; and• Review and recommendation of the SEA to the Board.
Risk Management	<ul style="list-style-type: none">• Review of credit risk profile of mortgage portfolios; and• Review of annual Money Laundering Reporting Officer's report.
Risk Monitoring	<ul style="list-style-type: none">• Review of risk exposure relative to appetite and tolerance measures;• Review of CRO's report;• Horizon scanning;• Oversight of ERC and subsidiary risk management committees;• Review of compliance and conduct risk monitoring activity (including Consumer Duty); and• In tandem with the RemCo, review the management of key risks in determining the variable pay awards due to the Executive Directors and Senior Management.
Governance	<ul style="list-style-type: none">• Review and recommendation of BRC Terms of Reference to the Board;• Approval of ERC Terms of Reference; and• Review of committee performance.

Chris Sparks
Chair of the Board Risk Committee
4th March 2026

Governance

Corporate Governance Report

Nottingham Building Society is committed to best practice in corporate governance and has considered the requirements of the UK Corporate Governance Code.

The Board has reviewed the Society's corporate governance practices against the UK Corporate Governance Code 2024 (the 'Code'), which is intended to apply to listed companies, to the extent that it is relevant to a building society. In the interest of transparency, each building society is encouraged to explain in its Annual Report and Accounts whether, and to what extent, it adheres to the Code. The Board is committed to complying with best practice in corporate governance.

This report sets out how the Board has operated in 2025 and complied with the provisions of the Code and concludes that the Board has identified that it is fully compliant in all material respects with the Code.

The Board has considered the additional requirements introduced by Provision 29 of the UK Corporate Governance Code, which take effect from 1st January 2026. These requirements will be addressed and reported in the Society's 2026 Annual Report and Accounts.

Leadership

The Board

As at 31st December 2025, the Board consisted of six Non-Executive Directors (including the Chair) and three Executive Directors, providing a complementary balance of skills and expertise.

The Board held 11 meetings and one strategy review and business planning meeting during 2025. In addition, the Non-Executive Directors meet periodically, without the Executive Directors present, and consider all aspects of Board responsibilities, governance and performance.

In line with Code principles, the Board is collectively responsible for the long-term sustainable success of the Society and ensuring that the necessary resources are in place for the Society to meet its objectives and measure performance against them. It has a schedule of reserved matters and its principal function is to focus on how it has considered and addressed the opportunities and risks to the future success of the Society, the sustainability of the Society's business model, and how its governance enables the delivery of its strategy.

Additionally, it ensures the appropriate financial and business systems and controls are in place to safeguard members' interests, maintain effective corporate governance and measure business performance. All Executive and Non-Executive Directors can obtain independent professional advice, at the Society's expense, should that be necessary in the fulfilment of their duties, and have access to the services and advice of the General Counsel & Society Secretary.

Division of responsibilities

The roles of the Chair of the Board and the CEO are held by different people and are distinct in their purpose, with division of responsibility set out in writing.

The CEO has direct charge of the Society on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Society, as well as for the formation of its strategy.

The Chair, who is elected by the Board annually, leads the Board in approving its strategy and in the achievement of its objectives. The Chair is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

Non-Executive Directors

Independent Non-Executive Directors play a vital role in challenging and helping develop strategy for the Society, whilst providing independent judgement, knowledge and experience.

The Board considers all Non-Executive Directors to be independent and free of any relationship or circumstances that could interfere with the exercise of their independent judgement. Kerry Spooner reached the end of her nine-year term on 1st September 2025, and following a review by the Nominations Committee, the Board agreed that she should remain an independent Non-Executive Director until the 2026 AGM.

One of the independent Non-Executive Directors is appointed as the Senior Independent Director, to provide a sounding board for the Chair and to serve as an intermediary for the other Directors, as necessary. The Senior Independent Director is identified on page 38.

Effectiveness

Composition of the Board

The names of the Directors together with brief biographical details are set out on pages 38 to 39.

The Board has four committees (BRC; NomCo; RemCo; and BAC) to help it discharge its duties. The terms of reference for these committees are reviewed annually and are available on the Society's website.

The four committees meet regularly and current membership of these committees is shown on page 39.

The table below shows the attendance of each director at the relevant Board and Board committee meetings. The number to the left is the number of meetings attended; the number to the right is the number of meetings the Director was eligible to attend during 2025.

Director	Board	Risk	Nominations	Remuneration	Audit
R Ashton	11/11	-	6/6	5/5	-
S Baum	11/11	-	-	-	-
C Gunnigle ¹	3/3	3/3	-	1/1	2/2
S Hayes	11/11	-	-	-	-
S Linares ²	10/10	7/7	4/4	5/5	-
A Murphy ³	6/11	-	-	-	-
P O'Donnell	11/11	8/8	2/2	-	6/6
K Patel	11/11	8/8	-	5/5	6/6
C Sparks ⁴	10/10	7/7	-	-	6/6
K Spooner	11/11	8/8	6/6	5/5	6/6

1 C Gunnigle was appointed to the Board on 22nd September 2025.

2 S Linares retired from the Board on 30th November 2025.

3 A Murphy was not available to attend certain Board meetings during 2025 due to illness.

4 C Sparks was appointed to the Board on 1st March 2025.

The minutes of committee meetings are available to the Board. The Board also receives reports from the Chair of each of the committees on matters arising from the meetings they chair.

In addition to the four Board committees noted above, ExCo, ERC and ALCo are delegated authority by the Board to manage the day-to-day operations of the Society. Each of these committees generally meet once a month and the membership of each committee is made up of both Executive Directors and Senior Management. Together, the committees are responsible for acting on behalf of the Board in organising, managing and protecting the Society's assets to deliver value to members, whilst ensuring the Society operates within the law, regulation and clearly agreed Board risk appetites. Together they are therefore responsible for ensuring the management and delivery of four key areas on behalf of the Board: Strategy, Risk Management, Business Planning, and Operational Oversight. The Risk Management Report on pages 47 to 55 covers these committees in further detail.

Appointments to the Board

Specialist third party recruitment consultants are engaged to assist with all Board recruitment activities, whether Executive or Non-Executive appointments.

The NomCo assists the Board by making recommendations on the Board and Executive succession plan, recruitment and composition and other relevant matters. The NomCo considers, annually, the competence and suitability of those Directors seeking election or re-election at each AGM

The NomCo meets at least twice a year. Additional meetings may be convened as necessary.

Appointments to the Board are made on merit and against objective criteria balancing skills, experience, independence and knowledge on the Board. The Society considers diversity, inclusion and equal opportunity both at Board-level and in recruitment throughout the business. Candidates for both Executive and Non-Executive Directorships are recommended by the NomCo to the Board for approval, with the assistance of external consultants.

All Directors must meet the requirements of the Senior Managers and Certification Regime prescribed by the FCA and PRA including, where appropriate, receiving regulatory approval.

Commitment

Prior to appointment, Non-Executive Directors are required to disclose their other significant commitments. In addition, Non-Executive Directors undertake that they will have sufficient time to meet what is expected of them, recognising the need for availability in the event of crises. In addition, throughout their tenure with the Society, Directors are required to inform the Board in advance of any other positions they wish to take up so the time commitment and any potential conflicts of interest can be considered.

Development

Upon appointment, Directors receive a formal and tailored induction and throughout their tenure all Directors receive timely and appropriate training to enable them to properly fulfil their roles. The information and training requirements of all Directors are reviewed annually.

Information and support

The Chair ensures that all Directors receive accurate, timely and clear information.

The Society has in place appropriate insurance cover in respect of the Directors.

Evaluation

Executive Directors are evaluated using the Performance Management Framework for all employees. The CEO is appraised by the Chair. The performance of the Non-Executive Directors is reviewed annually by the Chair. The Senior Independent Director conducts interviews with each Director to appraise the performance of the Chair, the results of which are discussed with the Chair.

Each year the Board and each of its committees undertake a review of their performance during the year. The Code also prescribes that a review should be undertaken by an independent external party at least every three years, the last review having been commenced by Linstock in late 2025 and will continue in early 2026. Both the latest internal review and previous external reviews confirmed that the Board and its committees operated effectively. Further details of the 2025 externally-facilitated Board performance review will be reported in the 2026 Annual Report and Accounts.

Re-election

In 2026, all Directors will submit themselves for election or re-election at the AGM in accordance with the Code, except for Kavita Patel who will not seek re-election to the Board.

Anthony Murphy formally resigned from his position as the Society's CFO. He will continue to stand for re-election and remain in post until his planned departure in May 2026.

Non-Executive Directors can serve up to a maximum of three three-year terms, unless an extension is approved by the Board.

The Code requires that the independence of all Non-Executive Directors is considered as part of the Annual Report of the Society. It is confirmed that, all the Non-Executive Directors are currently considered to be independent, and in particular (noting the requirements of the Code) Non-Executive Directors are required to attest to their independence against the specific criteria set out in the Code. Please see the NomCo Report on page 45 for additional details.

The NomCo makes recommendations for the Board concerning the re-appointment of any Non-Executive Director at the conclusion of their specified term of office, having due regard to their performance and ability to continue to contribute to the Board considering knowledge, skills and experience required.

Accountability and audit

Financial and business reporting

The Directors' Report on pages 41 to 44 details the responsibilities of the Directors in preparing the Society's accounts.

This includes ensuring suitable accounting policies are followed, that a true and fair view of the Society's financial position is given and that the Society's business is a going concern.

The Board has responsibility to present a fair, balanced and understandable assessment of the Society's performance and financial position, business model and strategy, consideration of which is contained within the Chief Executive's Review on pages 7 to 11, the Strategic Report on pages 12 to 27 and within the Annual Report and Accounts taken as a whole.

Viability statement

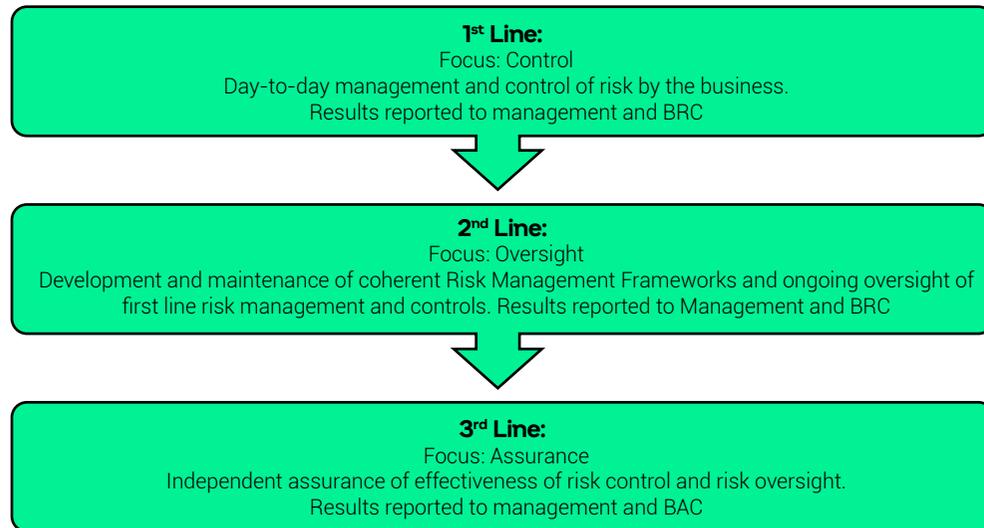
In accordance with the requirements of the Code, the Board has assessed the prospects of the Society over a period longer than the 12-months required by the going concern provision. The Viability Statement is considered on page 44 within the Directors' Report.

Risk management and internal control

The responsibilities and activities of the BRC are outlined within the Board Risk Committee Report on page 56 and 57.

The Society's RMF (approved by the Board) sets out the principal risks facing the Group, including those that would threaten the business model, future performance, solvency and liquidity. Principal risks and further information on risk management is provided in the Risk Management Report on pages 47 to 55.

In accordance with the Code, the Board is committed to maintaining sound systems and controls to safeguard both its own assets and those of its members and there is an annual review of risk management and internal control systems.



The operation of these three lines of defence is embodied in the terms of reference of the Society's risk committees. The BRC ensures (on behalf of the Board) that there are appropriate risk management frameworks and policies in place for the appropriate identification, assessment, monitoring and control of all the main sources of risk that the Society faces.

Where weaknesses in controls are identified by the three lines of defence, the Board monitors the steps taken to remedy the issues and to ensure that the Society responds to changing external threats and economic circumstances and to the changing regulatory environment.

Remuneration

Policy and procedures

The level and make-up of Director remuneration and the procedure for developing policy on executive remuneration, (including fixing the remuneration packages of individual Directors), is considered by the RemCo.

The RemCo's work and the Society's compliance with the Code principles relating to remuneration is covered in the Directors' Remuneration Report on pages 67 to 72.

Relations with members

Dialogue with members

Engagement with members is undertaken in various ways including member events, social media, customer panels, regular literature and mainstream media.

The Society is keen to find out its members' views so that it can continually improve. It provides them with several ways and opportunities to give their feedback. It surveys a selection of its members on a regular basis through its member satisfaction survey. The results of this feedback are shared in Board and committee meetings. The Society also encourages its members to attend its AGM where they can ask questions and voice their opinions.

During 2025, for the first time in the Society's history and to encourage broad engagement, members were invited to attend the meeting either in-person or virtually and invited to pre-submit questions .

Furthermore, each year, the Society produces a Members' Newsletter, including the Summary Financial Statement, which provides an abridged version of information contained within the Annual Report and Accounts. The Members' Newsletter is provided to all members as part of its AGM ancillary documentation.

Constructive use of the AGM

Each year, notice of the AGM is given to all members who are eligible to vote. Members are sent voting forms and are encouraged to vote online, by post, at a local branch or by person or proxy at the AGM.

All postal and proxy votes are counted using independent scrutineers.

All members of the Board are present at the AGM each year (unless, exceptionally, their absence is unavoidable) and the Chairs of the BAC, NomCo, BRC and RemCo are, therefore, available to answer members' questions.

The Notice of the AGM and related papers are sent at least 21 days before the AGM in accordance with the Society's Rules and the Building Societies Act 1986.



Board Audit Committee Report

Board Audit Committee

The principal role of the BAC is providing support to the Board in its oversight of financial reporting and the financial control environment across the Society. The Committee's primary functions are:

- To monitor the integrity of the Financial Statements and any formal announcements relating to the Society's financial performance, reviewing any significant financial reporting judgements which they contain including that of the Society's going concern status;
- To keep under review the Society's financial control systems and processes that manage and monitor financial risks;
- To review and approve the statements to be included in the Annual Report and Accounts concerning internal controls, financial risk management and the Viability Statement;
- To review the Society's procedures for detecting fraud and its systems and controls for the prevention of bribery;
- To monitor and review the effectiveness of the Internal Audit function;
- To approve and review progress of the annual Internal Audit Plan;
- Prior to the members' vote at the AGM, to make recommendations to the Board for appointment, re-appointment and / or removal of the external auditor;

- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK law, regulation and applicable ethical standards;
- To approve the remuneration and terms of engagement of the Society's external auditor;
- To develop and implement policy on the engagement of the external auditor to supply non-audit services, considering relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and
- To report to the Board on how the Committee has discharged its responsibilities.

Committee structure and attendance

The BAC is a Board Committee and at 31st December 2025, the Committee membership was made up as follows:

Peter O'Donnell (Chair)	Non-Executive Director and Chair of BAC
Kerry Spooner	Non-Executive Director, Senior Independent Director
Chris Sparks	Non-Executive Director and Chair of the BRC
Kavita Patel	Non-Executive Director
Clodagh Gunnigle	Non-Executive Director and Chair of RemCo

detail of the skills and experience of the Committee members can be found in their biographies on pages 38 to 39. Members have a broad range of skills, experience and knowledge relevant to the building society and financial services sector.

The General Counsel & Society Secretary acts as Secretary to the Committee, supported by the Deputy Society Secretary. Other individuals such as the CEO, CFO, CRO, Chief Internal Audit Officer ('CIAO') and Finance Director may be invited to attend all or part of any meeting as and when appropriate. The external auditor was invited to attend all the Committee's meetings held in 2025.

The Committee met on eight occasions during the year. After each meeting, the Committee Chair reports to the Board the activities of the BRC highlighting significant decisions made.

Private meetings are held at least once a year with the external auditor and with the CIAO in the absence of Management to enable issues to be raised directly if necessary. The Committee Chair meets with the CIAO and the external auditor on a regular basis.

Following each committee meeting, the minutes of the meeting are distributed to the Board, and the Committee Chair provides an update at the next Board meeting on key matters discussed by the Committee.

Meeting frequency and reporting

The Committee met six times in 2025 and during the year:

- Reviewed the results and Annual Report and Accounts for the year ended 31st December 2024;
- Challenged the key loan provision assumptions and judgements, underlying the analysis of ECL losses proposed by Management;
- Reviewed the going concern and viability statement assumptions and all key issues and areas of judgement relating to the financial statement reporting;
- Reviewed reports from the external auditor, including the Management Letter highlighting system and control recommendations, key accounting and audit issues and conclusions for the interim and full year financial statement reporting;
- Reviewed the Annual and Interim Financial Statements and draft press releases, with consideration of the fair, balanced and understandable requirements of the UK Corporate Governance Code;
- Received and reviewed reports from Internal Audit on tracking progress against their plan;
- Reviewed and approved (working with BRC) the statements to be included in the Annual Report and Accounts concerning internal control, financial risk management and the Viability Statement; and
- Carried out a review of the Committee's own performance and terms of reference.

Significant matters in relation to the Financial Statements

The Committee considers a wide range of matters in relation to the Financial Statements, which relate mainly to key judgements, accounting policies and estimates which Management must make during the preparation of the statements, particularly in respect of large or unusual transactions. During 2025, the significant matters considered by the Committee included:

Expected Credit Loss ('ECL') Provisioning	The Society reviews the IFRS 9 model outputs to estimate the level of impairment provision required across the mortgage portfolio, which uses historical default and loss experience as well as applying judgement. The Committee reviewed and challenged the approach to calculating the provisions and to post-model adjustments, with the Committee's assessment supported by peer benchmarking.
Effective Interest Rate ('EIR') Methodology	The Committee reviewed and challenged the key assumptions applied within the EIR models, including expected behavioural life and early repayment charges.
Hedge Accounting	The Committee reviewed assumptions and reviewed the change in risk level applied by the external auditor.
Property Valuation Methodology	The Committee reviewed Management's proposal to move from a Cost to the Revaluation basis for freehold property, and challenged the timing and impact on reserves and disclosures.
Going Concern Assessment & Viability Statement	The Committee evaluated whether the going concern basis of accounting was appropriate by considering forecast profitability, liquidity, funding availability and regulatory capital positions. The review also considered stress testing and scenario analysis, and the Committee challenged Management on scenario weightings and resilience under combined stress events.
Fair, Balanced & Understandable	The Committee reviewed the integrity of the Financial Statements and any formal announcements. The content of the Annual Report and Accounts was reviewed and the Committee advised the Board that, in its view, and taken as a whole, it is fair, balanced and understandable and provides the information necessary for members to assess the Society's performance, business model and strategy. The Committee therefore recommended that the Board approve the Annual Report and Accounts.
Corporate Governance Code	The Committee reviewed the impacts on the Financial Statements of the UK Corporate Governance Code 2024, and challenged Management's plan for compliance with Provision 29.
Changes to Accounting Standards & other Relevant Developments	The Committee is kept up to date with changes to accounting standards and relevant developments in financial reporting and applicable law. In addition, as appropriate members are invited to Society-run teach-ins, and attend relevant seminars and conferences provided by external bodies.

Independence and effectiveness of external auditor

In 2023, the Society tendered its external audit relationship in line with best practice and Ernst & Young LLP were re-engaged and therefore have now been in post for eleven years as at 31st December 2025.

In advance of the commencement of the annual audit, the Committee reviewed a report presented by the external auditor detailing the audit plan, planning materiality, areas of audit focus, terms of engagement and fees payable. Following the review of the Interim Financial Statements and the audit of the Annual Financial Statements, the Committee received a report detailing the work performed in areas of significant risk, and a summary of misstatements and internal control related issues identified. The Committee considered the matters set out in these reports as part of recommending the Interim and Annual Financial Statements for approval.

To monitor and assess any threats to the independence of the Auditor, the Committee reviews a report on the level of spend with the auditor on audit and non-audit services. The Committee has a framework on the Society's use of the external auditor for non-audit work, to ensure their continued independence and objectivity. The external auditor undertook a six-monthly review of the Society's interim results, an audit related assurance service, conducted in accordance with this policy, and details of any fees paid for these services are outlined in Note 6 to the accounts.

The Committee considered the performance of Ernst & Young LLP as external auditor for 2025, and is satisfied with their objectivity, independence and effectiveness and therefore recommended that they be re-appointed at the AGM for the current year.

Oversight and effectiveness of internal audit

The Committee receives regular reports from the CIAO setting out the results of assurance activity, proposed changes to the approved Audit Plan and the level of resource available. Significant findings and themes identified were considered by the Committee, alongside Management's response and the tracking and completion of outstanding actions. In addition to approving the annual plan and budget, throughout the year the Committee reviewed and approved amendments to the Internal Audit Plan and resources.

The Committee regularly monitors whether Internal Audit has delivered its reports in accordance with the agreed plan and to the expected standard. The CIAO also carries out an annual review of the effectiveness of the Society's system of internal control and reports on the outcome of this review to the Committee. The CIAO reported an adequate level of assurance in relation to the Group's arrangements for risk management, control infrastructure, governance and fraud prevention controls. The Committee therefore regards the Internal Audit function to be effective.

Audit Committee performance and effectiveness

As outlined in the Corporate Governance Report on pages 58 to 63, the Board and each of the committees formally evaluate their own performance annually. The Committee discussed the results of the 2024 review in October 2025 and concluded that, overall, the Committee continued to be effective and was adequately discharging its responsibilities.

Peter O'Donnell

Chair of the Board Audit Committee
4th March 2026

Directors' Remuneration Report

Statement by the Chair of the Remuneration Committee

On behalf of the Committee, I am pleased to present the annual Directors' Remuneration Report, which sets out the Remuneration Policy and details of the Directors' remuneration in the year ended 31st December 2025.

NBS is committed to best practice in its remuneration of directors. This report explains how the Society applies the relevant principles and requirements of the remuneration regulations and Codes. The report has two sections:

- Remuneration Policy, which sets out the Society's Remuneration Policy for directors; and
- Annual Remuneration Report, which outlines how the policy was implemented in 2025.

Committee structure

In 2025, the Remuneration Committee membership was made up as follows:

Simon Linares	Non-Executive Director and Chair of RemCo (Retired from the Board on 30 th November 2025)
Clodagh Gunnigle	Non-Executive Director and Chair of RemCo (Joined the Board on 22 nd September 2025 and was appointed the Chair of Remco role following Simon Linares retirement in November 2025)
Robin Ashton	Non-Executive Director and Chair of the Board
Kerry Spooner	Non-Executive Director, Senior Independent Director
Kavita Patel	Non-Executive Director

2025 performance and awards

The Chair's Statement, Chief Executive's Review and Strategic Report on pages 4 to 27 describe 2025 as a period of disciplined consolidation and strong performance despite volatile economic conditions. Nottingham Building Society remained a top-ten mutual with total assets of £5.4bn, strengthening its foundations while embedding major technology and operational investments. The Society sharpened its purpose around specialist residential mortgages and continued to provide a safe, valued home for savers. Capital ratios remained robust, supported by enhanced funding resilience. Service quality also remained sector-leading, with a 4.8 Trustpilot score from over 5,000 reviews, alongside national recognition for transformation through the Change Excellence programme.

In this context, NBS is pleased to confirm its Annual Bonus Plan for 2025. The bonus for 2025 is determined by the Society's financial and strategic performance, as well as each employee's individual achievements. Additionally, the existing Medium-Term Incentive Plan ('MTIP') was replaced with a new MTIP that continues to support our EOB strategy and engages and retains the leaders in charge of delivering it, whilst recognising an enhanced focus on key programmes of investment. The new MTIP spans a three-year performance period, with rigorous performance conditions and benchmarks. The Directors' variable compensation will be tied exclusively to the Annual Bonus Plan and new MTIP.

It is in this context that the payments to Executive Directors have been determined and are detailed in this report. In 2025, the Committee reviewed and approved payment of the deferred element of the 2021 Bonus Plan.

Remuneration Committee

The primary objective of the RemCo, under delegated authority from the Board, is to make recommendations to the Board on the general Remuneration Policy of NBS and specifically on the remuneration of Executive Directors and other Remuneration Code staff (including Material Risk Takers), ensuring that remuneration is in line with the Society's business drivers, values and ambitions and adheres to the Remuneration Policy. In addition, the Committee is responsible for approving the variable pay, reward principles, compliance with the Remuneration Code and policy statement.

The Committee is made up of a minimum of three Non-Executive Directors, as detailed within the table above. The CEO, CPO, General Counsel & Society Secretary attend the meetings by invitation.

NBS adheres to the requirements of the Remuneration Code applicable to a Level 3 firm as defined by the Regulator. Non-Executive Directors do not receive variable remuneration. Information on Nottingham Building Society's other Remuneration Code Staff is set out in the Pillar 3 disclosures published on our website www.thenottingham.com, along with the Committee terms of reference.

Committee activities

The Committee met five times in 2025, with activities including:

Remuneration Policy	<ul style="list-style-type: none"> Review of the Remuneration Policy for 2025 and recommending it to the Board for approval; Reviewing and approving the Remuneration Policy Statement ensuring its compliance with the Remuneration Code; and Reviewing regulatory updates and assessing the impact on NBS.
Fixed Remuneration	<ul style="list-style-type: none"> Oversight of the activities undertaken by the ExCo in relation to reward; Considering the annual pay review for all eligible employees; Agreeing the terms for any appointments and leavers for executive level and other Remuneration Code staff (including Material Risk Takers); Consideration of additional provision of employer pension contributions for all colleagues; and Agreeing Financial Coaching Provision for all colleagues.
Variable Remuneration	<ul style="list-style-type: none"> Agreeing the release of 2021 bonus deferrals; Agreeing a new Annual Bonus Plan for 2025; and Review of the MTIP.

RemCo intends to review the construct of the Annual Bonus Plan in 2026.

Remuneration policy

NBS's Remuneration Policy reflects its objectives for good governance, appropriate risk management and acting in the long-term best interests of members. The policy is there to ensure that:

- Remuneration should be sufficient to attract, reward, retain and motivate high quality leaders and employees to run the Society successfully, delivering value for our members whilst avoiding

paying more than is necessary for this purpose in line with our mutual ethos; and

- Remuneration is structured to strike the right balance between fixed and variable pay. Variable pay schemes are designed to incentivise and reward appropriate behaviour and performance, aligned with Nottingham Building Society's position on risk; rewards are only attributed to the delivery of success and achievement of objectives.

NBS is classified as a level 3 firm and seeks to apply appropriate remuneration best practice for all Remuneration Code staff and other staff.

All pay is benchmarked using externally provided data and the approach to pay reviews is consistently applied to all colleagues across the Society, regardless of position.

Recruitment policy for Executive Directors

NBS's approach to recruitment is to remain competitive in the market while ensuring we pay no more than is necessary to attract and retain the right talent for roles across the business, including Executive positions. Any new Executive Director's remuneration package will be consistent with our Remuneration Policy as outlined in this report. Any payments made to Executive Directors on joining the Society to compensate them for forfeited remuneration from their previous employer will be compliant with the provisions of the Remuneration Code and will be approved by the RemCo.

Service contracts

All Executive Directors, in line with best practice, have service contracts outlining their duties and terms and conditions of employment. The CEO's contract is terminable at any time by the Society on 12 months' notice and by the CEO on 12 months' notice. The contracts for the other Executive Directors are terminable at any time by the Society on six months' notice and by the individual on six months' notice. Unless notice to terminate is given by either party, all contracts continue automatically.

Payment for loss of office of Executive Directors

Any compensation in the event of early termination is subject to RemCo recommendation and Board approval. Pension contributions cease on termination under the rules of the pension scheme.

Other directorships

None of the Executive Directors currently hold any paid external directorships.

Executive Directors' total remuneration

Executive Directors' emoluments comprise a basic salary, variable pay, entitlement and other taxable benefits as outlined on pages 70 to 72.

The total remuneration received by Executive Directors is detailed on page 71. The information has been audited and shows remuneration for the years ended 31st December 2025 and 31st December 2024

Directors' Remuneration Report (continued)

as required under the Building Societies (Accounts and Related Provisions) Regulations 1998.

The remuneration of Executive Directors is considered annually by the RemCo attended by NBS's CEO, who (except in respect of their own remuneration) makes recommendations regarding executive pay and agreed recommendations are referred to the Board.

The CEO is the Society's highest paid employee and no employee earns more than the CEO.

The salary of Executive Directors increased by 2.0% in 2025. This is in line with the wider Society, with the basic salary increase for colleagues ranging from 2.5% to 3.0% depending on grade, with minimum salaries implemented to reflect the Living Wage.

Chief Executive Officer pay ratio

The CEO pay ratio is presented as follows to promote transparency and encourage good governance. The CEO is the highest paid person within the organisation, and this is compared with the 25th, 50th and 75th percentile employees to calculate the CEO pay ratio. This uses a single total figure of remuneration which includes total salary, variable pay, pension and taxable benefits.

The Society has chosen to publish the CEO pay ratio using the recommended and government preferred approach (Option A). Option A involves calculating the actual full time equivalent remuneration for all relevant employees for the financial year in question.

These values are then listed in order from lowest to highest and the values at the three percentile points identified as disclosed below:

Year	25 th percentile	Median	75 th percentile
2025	19:1	14:1	7:1
2024	21:1	15:1	8:1

	25 th percentile	Median	75 th percentile
2025			
Total remuneration	£26,648	£37,873	£69,025
Salary	£23,815	£34,028	£60,618
2024			
Total remuneration	£25,486	£35,034	£64,630
Salary	£22,829	£31,130	£56,116

Employee data includes full time equivalent total remuneration for Society employees as at 31st December.

Non-Executive Directors

The Chair and other Non-Executive Directors each receive an annual fee reflective of the time commitment and responsibilities of the role. Fees for Non-Executive Directors are set by reference to benchmark information from a building society comparator group, agreed with the Board and take into consideration the principles underpinning the annual salary review.

The Non-Executive Directors' fees are reviewed by the Chair together with the Executive Directors before recommendations are referred to the Board. Remuneration of the Chair is considered by the RemCo, together with the Society's CEO, without the Chair being present.

Non-Executive Directors do not receive variable pay or pensions to encourage their independence.

Non-Executive Directors are reimbursed for reasonable expenses incurred during their work on the Society's business.

Remuneration Code staff (Material risk takers)

The remuneration of all Remuneration Code staff is overseen directly by the RemCo. Fixed and variable pay decisions (including appointment packages) for Remuneration Code Staff (excluding the CIAO where the decision is made by the Chair of the BAC and approved by the RemCo), are proposed by the Executive and all decisions are recommended to the RemCo for approval.

The Society's Remuneration Code staff are informed of their status through written communication. This communication includes the implications of their status including the potential for remuneration that does not comply with certain requirements of the Remuneration Code to be rendered void and recoverable by the Society.

Directors' Remuneration Report (continued)

Component	Purpose	Operation	Performance measures	Opportunity
Basic salary	Fixed remuneration set to attract and retain executives of appropriate calibre and experience. Basic salary is assessed by reference to roles carrying similar responsibilities in comparable organisations. A comparator group is used that consists of Executive Director positions within banks and building societies of a similar size and complexity.	Reviewed annually and linked to personal performance and market sector benchmarking, including Willis Towers Watson benchmark data.	Increases based on: <ul style="list-style-type: none"> Overall employee pay increases in the Group; Benchmarking comparisons; Personal performance; and Role and experience. 	The base salaries of Executive Directors are reviewed as for any other employee in accordance with the reward matrix, except in circumstances where: <ul style="list-style-type: none"> market peer benchmarking indicates that remuneration is moving out of line of the appropriate peer group; and / or there has been a material increase in scope or responsibility of the Executive Director's role.
Variable pay Annual Bonus Plan	Linked to the delivery of the Society and personal objectives. Used to reward Executive Directors within the context of achieving the Society's goals and objectives. Payments under the variable pay schemes are not pensionable.	The bonus will only be awarded if the threshold criteria for both Society and individual performance targets are met and a payment is triggered in the Annual Bonus Plan. 50% of the bonus is deferred for three years and payment is subject to meeting Society and individual performance threshold criteria in each of the years from award to payment. The Committee has the discretion to reduce or withhold the deferred element if it becomes apparent that the basis on which the variable pay award was made was wrong or that financial performance has deteriorated materially since the award. The deferred payment, prior to the 2022 performance period, is subject to clawback for a period of three years after payment. For performance periods from 2022 onwards, the deferred payment is subject to clawback for a period of 7 years after payment.	The scheme is based upon three elements: <ul style="list-style-type: none"> Financial adequacy - achievement of a minimum level of adjusted Profit Before Tax before any bonus is payable. Annual Bonus Plan measures Society performance against four strategic pillars: <ul style="list-style-type: none"> growing & rewarding membership; responsible society; strategic reinvention; and safe & secure. Individual performance including achievement of strategic objectives. Personal performance objectives, appropriate to the responsibilities of the Executive Director, including the achievement of appropriate strategic progress are set at the start of each year. Objectives are set within board risk appetite and regulatory requirements.	The maximum award possible is 50% of basic salary, payable with 50% of the award deferred for three years.
Variable pay Medium-term Incentive Plan	One-off incentive used to reward, engage and retain Executive Directors to deliver the Society's strategy. Payments under the variable pay schemes are not pensionable.	The incentive will only be awarded if the threshold criteria and Society performance targets are met once the performance period of three years (2025 to 2027) has concluded. 50% of the incentive payment will be made in March 2028 with the remaining 50% deferred until September 2028. Payment is subject to meeting Society and individual performance threshold criteria from award to payment. The Committee has the discretion to reduce or withhold the payment if it becomes apparent that the basis on which the variable pay award was made was wrong or that financial performance has deteriorated materially since the award. The payment is subject to clawback for a period of seven years after payment.	The scheme is based upon three elements: <ul style="list-style-type: none"> Financial adequacy - achievement of a minimum level of adjusted underlying Profit Before Tax before any incentive is payable. MTIP measures performance against the delivery of the Society's strategic objectives, focusing on three key indicators: <ul style="list-style-type: none"> net interest margins; proportion of EOB lending; and delivery of key programmes of investment (including operational resilience, core banking and lending platform initiatives). Risk appetite - performance objectives were set within board risk appetite and regulatory requirements. Any payment is subject to achieving the same risk targets as the annual bonus plan for plan years 2025, 2026 and 2027. 	The maximum award possible is a cash lump sum of £500,000 for the CEO and £250,000 for the other Executive Directors, payable at the end of the performance period in December 2027, deferred 50% until March 2028 and 50% until September 2028.

Directors' Remuneration Report (continued)

Component	Purpose	Operation	Performance measures	Opportunity
Pension or pension allowance	A part of fixed remuneration to attract and retain Executives of appropriate calibre and experience.	Executive Directors are invited to join the Society's defined contribution pension plan, or, as an alternative, be provided with an equivalent cash allowance.	Not applicable.	Pension contributions for new Executive Directors appointed post 1 st January 2020 will be aligned with the contribution matrix for all employees.
Benefits	A part of fixed remuneration to attract and retain executives of appropriate calibre and experience.	The benefits received by Executive Directors are private medical insurance and a car allowance.	Not applicable.	Set at a level considered appropriate for each Executive Director by the Remuneration Committee in line with market practice.

Annual Report on remuneration

Executive Director remuneration

	2025 Sue Hayes	2025 Anthony Murphy	2025 Simon Baum	2025 Total	2024 Sue Hayes	2024 Anthony Murphy	2024 Simon Baum	2024 Total
Society	£000	£000	£000	£000	£000	£000	£000	£000
Fixed remuneration								
Salary	400	305	259	964	391	297	253	941
Benefits	11	29	12	52	11	29	12	52
Variable remuneration								
Annual bonus ¹	70	49	41	160	52	41	35	128
	481	383	312	1,176	454	367	300	1,121
Pension contribution	-	11	-	11	-	15	-	15
Payments in lieu of pension	32	4	26	62	31	-	26	57
	513	398	338	1,249	485	382	326	1,193

The Directors can sacrifice elements of their salary and variable pay for pension contributions. All figures disclosed in the table above are presented pre-sacrifice.

¹ The annual bonus figure reflects the amounts awarded in the year, which are not subject to deferral, and any deferred amount from previous financial years, paid in year. The remaining element, which is subject to deferral and the achievement of threshold criteria, will be disclosed in the year of payment.

Directors' Remuneration Report (continued)

The unpaid deferred elements of the annual bonus scheme are as follows:

Executive Directors	Due 2026	Due 2027	Due 2028	Due 2029	Total Deferred
	2022	2023	2024	2025	
	£000	£000	£000	£000	£000
Paul Astruc	40	10	-	-	50
Simon Baum	-	29	35	41	105
Sue Hayes	58	62	52	70	242
David Marlow	15	-	-	-	15
Anthony Murphy	-	46	41	49	136
	113	147	128	160	548

Non-Executive Directors	2025 £000	2024 £000
Robin Ashton (Chair)	132	92
Simon Linares (Retired from the Board on 5 th November)	65	70
Clodagh Gunnigle (Joined the Board on 22 nd September)	18	-
Peter O'Donnell	71	70
Kavita Patel	61	60
Kerry Spooner	88	95
Chris Sparks (Joined the Board on 1 st March 2025)	57	-
Paul Astruc (retired from the Board on 6 th April 2024)	-	15
Andrew Neden (retired from the Board on 1 st July 2024)	-	87
Total emoluments for services as directors	492	489

Clodagh Gunnigle

Chair of the Remuneration Committee
4th March 2026

Independent Auditor's Report

Independent Auditor's Report to the members of Nottingham Building Society

Opinion

In our opinion:

- the Financial Statements of Nottingham Building Society (the "Society") and its subsidiaries (together the "Group") give a true and fair view of the state of the Group's and the Society's affairs as at 31st December 2025 and of the Group's and the Society's income and expenditure for the year then ended;
- the Financial Statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the Financial Statements have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the Financial Statements (as defined in the table below) of the Group and Society for the year ended 31st December 2025 which comprise:

Group	Society
Income Statement for the year ended 31 st December 2025	Income Statement for the year ended 31 st December 2025
Statement of Comprehensive Income for the year ended 31 st December 2025	Statement of Comprehensive Income for the year ended 31 st December 2025
Statement of Financial Position for the year ended 31 st December 2025	Statement of Financial Position as at 31 st December 2025
Statement of Changes in Members' Interests for the year ended 31 st December 2025	Statement of Changes in Members' Interests for the year ended 31 st December 2025
Cash Flow Statements for the year ended 31 st December 2025	Cash Flow Statement for the year ended 31 st December 2025
Related notes 1 to 36 to the Financial Statements, including material accounting policy information.	
Directors' remuneration report tables identified as "audited".	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Society in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Society and we remain independent of the Group and the Society in conducting the audit.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Group's and the Society's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We confirmed our understanding of the Directors' going concern assessment process, including the Financial Statement Close Process.
- We obtained the Directors' going concern assessment, which covers a period until 4th March 2027, being 12 months from the date of approval of the Annual Report and Accounts.
- We compared the historical budgeted financial information with actual results, in order to form a view on the reliability of the forecasting process.
- We assessed the reasonableness of the Group and the Society's funding plans, including capital and liquidity requirements. We considered the Group and Society's current funding position and availability of additional capital and liquidity should it be required. We also evaluated the Group and Society's ability to replace maturing debt instruments over the going concern period to manage regulatory capital requirements.
- We assessed the results of the Group's stress and reverse stress testing, including considering the impact of ongoing macroeconomic uncertainty. We evaluated the feasibility of Management's planned future actions should stress scenarios materialise.

- We considered whether there were other events subsequent to the balance sheet date which could have a bearing on the going concern conclusion.
- We reviewed regulatory correspondence, committee and board meeting minutes, and met with the Prudential Regulation Authority, in order to identify events or conditions that may impact the Group and Society's ability to continue as a going concern.
- We reviewed the going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Society's ability to continue as a going concern until 4th March 2027, being a period of 12 months from the date of approval of the Annual Report and Accounts.

In relation to the Group's and the Society's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and the Society's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of the Group and the Society.
Key audit matters	• Expected credit loss provisions; • Risk of fraud in recognition of income under Effective Interest Rate Accounting.
Materiality	• Overall Group materiality of £2.0m (2024: £1.4m) which represents 0.75% (2024: 0.55%) of members' interests.

An overview of the scope of the Society and the Group audits

Tailoring the scope

The Society is managed from one location in Nottingham. All audit work performed for the purposes of the audit was undertaken by a single audit team based in the UK.

We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures to identify and assess risks of material misstatement of the Group and Society Financial Statements and identified significant accounts and disclosures. When identifying the extent to which audit work needed to be performed to respond to the identified risks of material misstatement of the Group and Society Financial Statements, we considered our understanding of the Group and its

business environment, the potential impact of climate change, the applicable financial framework, the Group's system of internal control at the entity level, applications and relevant internal audit results.

Our scoping to address the risk of material misstatement for each key audit matter is set out in the key audit matters section of our report.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group and the Society. The Group and Society has determined that the most significant future impacts from climate change on their operations will be from physical and transition risks. These are explained on pages 32 to 37 in the Sustainability Report, including their commitments to achieve net zero emissions by 2050. All of these disclosures form part of the "Other Information," rather than the audited Financial Statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other Information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group and Society's business and any consequential material impact on its Financial Statements.

The Group and Society has explained in Note 1, Accounting policies, how they have reflected the impact of climate change in their Financial Statements. These disclosures also explain where governmental and societal responses to climate

change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining asset and liability valuations under the requirements of UK adopted international accounting standards.

Our audit effort in considering the impact of climate change on the Financial Statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed in Note 1 and whether these have been appropriately reflected in asset and liability values, where these are impacted by future cash flows, following the requirements of UK adopted international accounting standards. As part of this evaluation, we performed our own risk assessment, supported by our climate change specialists, to determine the risks of material misstatement in the Financial Statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work, whilst we have not identified the impact of climate change on the Financial Statements to be a standalone key audit matter, we have considered the impact of climate change to principally impact 'Expected credit loss provisions' key audit matter. Details of the impact, our procedures and findings are included in our explanation of the expected credit loss provisions key audit matters below.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the Engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
<p>Expected credit loss ("ECL") provisions</p> <p>As at 31st December 2025, the Group and Society reported gross loans and advances to customers of £4,286.7m (2024: £4,239.8m) and related ECL provisions of £4.5m (2024: £5.2m).</p> <p>Refer to the Board Audit Committee Report (pages 64-66); Accounting policies (pages 88 to 98); and Note 15 of the Consolidated Financial Statements (page 103)</p> <p>Valuation and completeness of expected credit loss (ECL) provisions is an area of estimation that requires management judgement. The continuing higher rate environment has an impact on the level of uncertainty in the valuation of expected credit loss provisions, particularly in relation to the application of macro-economic scenarios and the estimation of the probability of default of customers in the future.</p> <p>Key judgements and estimates include:</p> <ul style="list-style-type: none"> Accounting interpretations and modelling assumptions used to build the credit models and calculate the ECL. The appropriateness of staging criteria selected to determine whether a significant increase in credit risk ("SICR") has occurred. The application of multiple macro-economic scenarios including the appropriateness of the probability weightings assigned to the various scenarios. The completeness and valuation of post model adjustments. <p>There is also judgement in considering the potential consequences of climate change and the impact of this on the ECL provision.</p> <p>Due to the degree of judgement that needs to be exercised in determining the key assumptions used in calculating ECL provisions, we considered this to be a key audit matter. The heightened levels of estimation uncertainty also gave rise to an increased risk of management override of controls.</p>	<p>We understood and evaluated the design effectiveness of key controls over the ECL process and adopted a substantive approach.</p> <p>With the support of EY credit risk modelling specialists, we risk assessed the models used to generate the ECL provisions. Based on this risk assessment we tailored our procedures, which included:</p> <ul style="list-style-type: none"> Testing the appropriateness of the Society's updated model methodology through inspection of model design documentation. Independently replicating the Society's modelled ECL as at 31st December 2025. This included recalculation of PDs, LGDs, EADs and overall ECL. Performing sensitivity analysis to determine the impact of changes in key assumptions to the ECL provision. Benchmarking assumptions to observable market data where applicable. <p>We assessed whether the SICR criteria used by the Society provided appropriate leading indicators of increased credit risk in the mortgage portfolio. With the support of EY credit risk modelling specialists, we also independently tested whether the mortgage portfolio had been appropriately staged in line with the Society's stated criteria.</p> <p>With the support of EY economists, we assessed the base case and alternative macro-economic scenarios through comparison to other scenarios from external sources. This testing also included benchmarking of the probability weightings used by the Society.</p> <p>We assessed the completeness of post-model adjustments, including considerations to climate change risk, using our knowledge and experience across the UK lending sector and with the involvement of our credit risk modelling specialists we independently recalculated the additional ECL provision adjustment applied by management.</p> <p>We performed a stand-back analysis to assess the overall adequacy of the ECL provisions. This included utilising our understanding of the Society and the UK mortgage market to perform analytical procedures, assessing whether any contradictory evidence had been obtained from other parts of the audit, and considering the Society's provision coverage ratios in comparison to other lenders using available benchmarking data.</p>

Independent Auditor's Report (continued)

Key observations communicated to the Audit Committee

- We communicated that we were satisfied that the Society's ECL provisions were reasonably estimated and in compliance with the requirements of IFRS 9.
- We highlighted to the Committee that there remains increased uncertainty in determining forecast losses due to the prevailing uncertain economic environment.
- We considered that the application of staging criteria was materially appropriate and aligned to the requirements of IFRS 9.
- We considered the multiple economic scenarios, and associated weightings, incorporated in the IFRS 9 models to be materially appropriate.

Risk

Our response to the risk

Risk of fraud in the recognition of income under EIR ("EIR") Accounting

As at 31st December 2025, the Group and Society reported gross loans and advances to customers of £4,286.7m (2024: £4,239.8m) and related EIR accounting adjustments of £9.2m (2024: £5.2m).

Refer to the Board Audit Committee Report (pages 64-66); Accounting policies (pages 88 to 98); and Note 3 of the Consolidated Financial Statements (page 99)

The EIR method of revenue recognition involves management judgement and several calculations in the allocation of lending fees and the amortisation of these fees over the behavioural life of the underlying mortgage.

The most sensitive inputs to the Society's EIR accounting are driven by the allocation of lending fees against relevant loan products, the behavioural life assumption used for the deferral period for the fees, and estimations related to future early redemption charges. These may be measured incorrectly due to the use of inaccurate or incomplete data, erroneous formulae or inappropriate assumptions.

Due to the degree of judgement that needs to be exercised by the Directors in calculating the EIR adjustment, we considered this to be a key audit matter. This also represents a risk of fraud in revenue recognition and through management override of internal controls.

We understood and evaluated the design effectiveness of key controls over the EIR accounting process and adopted a substantive approach.

We critically assessed the accounting policies in relation to revenue recognition under IFRS 9 effective interest rate accounting.

We validated and challenged assumptions used in the EIR models, including the accounting decisions and assumptions in relation to fees and charges, the behavioural lives of assets and the allocation of lending fees to loan products. Our challenge included a comparison of customer redemption assumptions with recent customer behaviours observable in the Group's portfolios, and an assessment of the inclusion of lending fees within the EIR model.

We tested the accuracy of the EIR calculations by independently recalculating the EIR adjustment as at 31st December 2025.

We performed data integrity testing on the key data fields used within the EIR calculations by vouching a sample of data points through to supporting evidence.

Key observations communicated to the Audit Committee

We communicated that we were satisfied that the selection and application of accounting policies, including the application of effective interest rate accounting, was appropriate under the requirements of IFRS 9.

We concluded that the assumptions informing the EIR calculations as at 31st December 2025 were reasonable and that these resulted in EIR adjustments which were appropriately derived from complete and accurate data.

In the prior year, our auditor's report included a key audit matter in relation to the 'Application of hedge accounting'. During the current period, we have assessed the risk of material misstatement and considered those matters which were of most significance to our audit of the financial statements and no longer consider this to be a key audit matter.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group and Society to be £2.0m (2024: £1.4m), which is 0.75% (2024: 0.55%) of total members' interests. We increased the percentage applied to total members' interests in the year based on a consideration of results of the Group and Society and benchmarking to relevant organisations.

We consider total members' interests provides us with an appropriate measure of materiality given this is a key focus area for the Society's members and regulators and is more relevant to users in an uncertain economic environment where profitability and the temporary impact of matters impacting financial reporting is less predictable.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2024: 75%) of our planning materiality, namely £1.5m (2024: £1.05m). We have set performance materiality at this percentage after considering our experience in the prior year, our assessment of an effective control environment and including our perspectives from the current year audit. As a result, we determined that the higher of our permissible thresholds for our performance materiality was appropriate.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1m (2024: £0.07m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The Other Information comprises the information included in the Annual Report and Accounts set out on pages 4 to 72 and 133 to 138, including, Key highlights, Chairman's statement, Chief Executive's review, Strategic Report, Stakeholder Engagement Report, Corporate Responsibility Report, Sustainability Report, Your Board of Directors,

Directors' Report, Nomination Committee Report, Risk Management Report, Board Risk Committee Report, Corporate Governance Report, Board Audit Committee Report, Directors' Remuneration Report, Annual Business Statement and Glossary, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the Other Information contained within the annual report.

Our opinion on the Financial Statements does not cover the "Other Information" and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the "Other Information" and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Building Societies Act 1986

In our opinion:

- The Annual Business Statement and the Directors' Report have been prepared in

accordance with the requirements of the Building Societies Act 1986;

- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Annual Business Statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Building Societies Act 1986 requires us to report to you if, in our opinion:

- Proper accounting records have not been kept by the Society; or
- the Group or Society's Financial Statements are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part

of the Corporate Governance Statement relating to the Group and the Society's voluntary compliance with the provisions of the UK Corporate Governance Code specified for our review by the UK Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement are materially consistent with the Financial Statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 43;
- Directors' explanation as to its assessment of the Society's prospects, the period this assessment covers and why the period is appropriate set out on page 44;
- Directors' statement on fair, balanced and understandable set out on page 43;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 44;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 44; and
- the section describing the work of the Audit Committee set out on page 64.

Directors' Remuneration Report

The Society voluntarily prepares a Report of the directors on remuneration in accordance with the provisions of the Companies Act 2006. The Directors have requested that we audit the part of the Report of the directors on remuneration specified by the Companies Act 2006 to be audited as if the Society were a quoted company.

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on pages 40-44 of the Annual Report and Accounts, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Society or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined below, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Group and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the regulations, licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA) and the Building Societies Act 1986.
- We understood how Group and Society are complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and UK regulatory bodies; reviewed minutes of the Board and Board Risk Committee; and gained an understanding of the Group's approach to governance, demonstrated by the Board's approval of the Group's governance framework and the Board's review of the Group's Operational Risk Framework and internal control processes.
- We assessed the susceptibility of the Group and the Society's Financial Statements to material misstatement, including how fraud might occur by considering the controls that the Group and Society have established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of legal counsel, executive

management, internal audit, and focused testing as referred to in the Key Audit Matters section above.

- The Group and Society operate in the financial services sector which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Society on 24th March 2015 to audit the Financial Statements for the year ending 31 December 2015 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is eleven years, covering the years ending 31st December 2015 to 31st December 2025.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with Section 78 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Blake Adlem (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
4th March 2026



Financial Statements

Income Statements

for the years ended 31st December 2025 and 31st December 2024

	Notes	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Interest receivable and similar income					
Calculated using the effective interest rate method	3	280.7	267.3	283.4	271.3
On derivatives not in a hedge accounting relationship	3	8.9	10.7	0.4	1.3
Interest receivable and similar income		289.6	278.0	283.8	272.6
Interest payable and similar charges	4	(202.9)	(194.4)	(199.2)	(189.0)
Net interest income		86.7	83.6	84.6	83.6
Fees and commissions receivable		1.8	2.0	1.8	2.0
Fees and commissions payable		(1.5)	(1.1)	(1.5)	(1.1)
Net (losses) / gains from derivative financial instruments	5	(3.0)	3.9	4.7	7.4
Total net income		84.0	88.4	89.6	91.9
Administrative expenses	6	(63.1)	(59.4)	(62.6)	(59.2)
Depreciation and amortisation	17,18,19	(4.8)	(4.9)	(4.8)	(4.9)
Operating profit before impairment and loss on disposal of treasury assets		16.1	24.1	22.2	27.8
Impairment credit - loans and advances to members	15	0.4	-	0.4	-
Voluntary payment expense associated with Philips Trust Corporation	27	0.4	(11.2)	0.4	(11.2)
Recoveries against Philips Trust Corporation expense	27	0.1	1.0	0.1	1.0
Movement in Equity Investment Fair Value		(1.1)	-	(1.1)	-
Profit on disposal of freehold land and buildings		0.8	-	0.8	-
Profit before tax		16.7	13.9	22.8	17.6
Tax charge	8	(6.0)	(4.6)	(6.0)	(4.6)
Profit after tax for the financial year		10.7	9.3	16.8	13.0

The Income Statements only include income and expenditure from continuing operations.
The notes on pages 88 to 132 form part of these accounts.

Statements of Comprehensive Income

for the years ended 31st December 2025 and 31st December 2024

		Group 2025	Group 2024	Society 2025	Society 2024
	Notes	£m	£m	£m	£m
Profit for the financial year		10.7	9.3	16.8	13.0
Items that will not be re-classified to the Income Statement					
Remeasurements of defined benefit obligation	28	-	0.9	-	0.9
Revaluation of freehold land and buildings		2.8	-	2.8	-
Tax on items that will not be re-classified	8	(0.1)	(0.2)	(0.1)	(0.2)
Items that may subsequently be re-classified to the Income Statement					
Fair Value through Other Comprehensive Income reserve					
Valuation (losses) / gains taken to reserves	12	(2.0)	(0.5)	(2.0)	(0.5)
Amounts transferred to the Income Statement on micro hedge relationships		2.0	0.3	2.0	0.3
Tax on items that may subsequently be reclassified	8	-	-	-	-
Other comprehensive income for the year net of income tax		2.7	0.5	2.7	0.5
Total comprehensive income for the year		13.4	9.8	19.5	13.5

Both the profit for the financial year and total comprehensive income for the year are attributable to the members of the Society. The notes on pages 88 to 132 form part of these accounts.

Statements of Financial Position

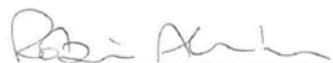
as at 31st December 2025 and 31st December 2024

		Group 2025	Group 2024	Society 2025	Society 2024
Assets	Notes	£m	£m	£m	£m
Cash in hand and balances with the Bank of England	9	297.0	441.2	297.0	441.2
Loans and advances to credit institutions	10	69.3	21.6	40.1	12.4
Debt securities	12	704.8	454.2	704.8	454.2
Derivative financial instruments	13	29.4	80.9	25.6	69.5
Loans and advances to members	14	4,305.0	4,201.8	4,305.0	4,201.8
Convertible loan notes		-	1.1	-	1.1
Amounts due from subsidiary undertakings	16	-	-	77.4	33.4
Other assets		5.8	6.7	5.8	5.3
Property, plant and equipment	17	11.4	8.0	11.4	8.0
Right of use assets	18	1.9	2.0	1.9	2.0
Intangible assets	19	11.2	8.8	11.2	8.8
Deferred tax assets	20	0.5	0.4	0.5	0.4
Total assets		5,436.3	5,226.7	5,480.7	5,238.1

		Group 2025	Group 2024	Society 2025	Society 2024
Liabilities	Notes	£m	£m	£m	£m
Shares	21	4,631.2	4,350.5	4,631.2	4,350.5
Amounts owed to credit institutions	22	0.1	327.1	0.1	327.1
Amounts owed to other members	23	56.5	45.4	56.5	45.4
Amounts owed to subsidiary undertakings	24	-	-	457.7	208.2
Debt securities in issue	25	408.9	184.7	-	-
Derivative financial instruments	13	31.2	22.9	31.2	22.9
Other liabilities and accruals	26	10.9	13.2	10.8	11.7
Lease liabilities	18	2.2	2.4	2.2	2.4
Provisions for liabilities	27	1.0	2.0	1.0	2.0
Current tax liabilities		3.6	1.2	3.6	1.2
Retirement benefit obligations	28	-	-	-	-
Subscribed capital	29	24.0	24.0	24.0	24.0
Total liabilities		5,169.6	4,973.4	5,218.3	4,995.4

		Group 2025	Group 2024	Society 2025	Society 2024
Reserves					
General reserves		264.0	253.3	259.6	242.7
Fair value reserves	30	-	-	-	-
Revaluation reserve		2.7	-	2.7	-
Total reserves attributable to members of the Society		266.7	253.3	262.3	242.7
Total reserves and liabilities		5,436.3	5,226.7	5,480.6	5,238.1

The notes on pages 88 to 132 form part of these accounts.
These accounts were approved by the Board of Directors on 4th March 2026 and signed on its behalf by:



Robin Ashton, Chair



Sue Hayes, Chief Executive Officer



Anthony Murphy, Chief Financial Officer

Statements of Changes in Member's Interests

For the years ended 31st December 2025 and 31st December 2024

	General Reserve	Fair value reserve	Revaluation Reserve	Total
	£m	£m	£m	£m
Group 2025				
Balance as at 1st January 2025	253.3	-	-	253.3
Profit for the year	10.7	-	-	10.7
Other comprehensive income for the year (net of tax)				
Net gains from changes in fair value	-	-	2.7	2.7
Total other comprehensive income	-	-	2.7	2.7
Total comprehensive income for the year	10.7	-	2.7	13.4
Balance as at 31st December 2025	264.0	-	2.7	266.7
Group 2024				
Balance as at 1st January 2024	243.3	0.2	-	243.5
Profit for the year	9.3	-	-	9.3
Other comprehensive income for the year (net of tax)				
Net gains / (losses) from changes in fair value	0.7	(0.2)	-	0.5
Total other comprehensive income	0.7	(0.2)	-	0.5
Total comprehensive income / (expense) for the year	10.0	(0.2)	-	9.8
Balance as at 31st December 2024	253.3	-	-	253.3

	General Reserve	Fair value reserve	Revaluation Reserve	Total
	£m	£m	£m	£m
Society 2025				
Balance as at 1st January 2025	242.7	-	-	242.7
Profit for the year	16.8	-	-	16.8
Other comprehensive income for the year (net of tax)				
Net gains from changes in fair value	-	-	2.7	2.7
Total other comprehensive income	-	-	2.7	2.7
Total comprehensive income for the year	16.8	-	2.7	19.5
Balance as at 31st December 2025	259.5	-	2.7	262.2
Society 2024				
Balance as at 1st January 2024	229.0	0.2	-	229.2
Profit for the year	13.0	-	-	13.0
Other comprehensive income for the year (net of tax)				
Net gains / (losses) from changes in fair value	0.7	(0.2)	-	0.5
Total other comprehensive income / (expense)	0.7	(0.2)	-	0.5
Total comprehensive income / (expense) for the year	13.7	(0.2)	-	13.5
Balance as at 31st December 2024	242.7	-	-	242.7

The notes on pages 88 to 132 form part of these accounts.

Cash Flow Statements

for the years ended 31st December 2025 and 31st December 2024

		Group 2025	Group 2024	Society 2025	Society 2024
Cash flows from operating activities	Notes	£m	£m	£m	£m
Profit before tax from continuing operations		16.7	13.9	22.8	17.6
Depreciation and amortisation		4.8	5.1	4.8	5.1
Profit on disposal of freehold land and buildings		(0.8)	-	(0.8)	-
Interest on subscribed capital	34	1.9	1.9	1.9	1.9
Interest on lease payments	18	0.1	0.1	0.1	0.1
Amortisation of discounts and premiums on debt securities	12	(0.1)	-	(0.1)	-
Impairment credit - loans and advances to members	15	(0.4)	-	(0.4)	-
		22.2	21.0	28.3	24.7
Changes in operating assets and liabilities					
(Increase) / decrease in loans and advances to credit institutions		(26.5)	8.8	(27.3)	9.8
Increase in loans and advances to members		(102.8)	(657.9)	(102.8)	(657.9)
Movement in equity investment		1.1	-	1.1	-
Decrease in other assets		50.4	22.9	290.9	(38.2)
Increase in amounts owed by Group undertakings		-	-	(44.0)	-
Increase in shares	21	280.7	784.6	280.7	784.6
(Decrease) / increase in amounts owed to other credit institutions and other members	22, 23	(315.9)	35.6	(315.9)	35.6
Increase / (decrease) in debt securities in issue	25	224.2	(61.5)	-	-
Increase / (decrease) in accruals and other liabilities		5.0	(17.2)	6.4	(18.5)
Movement in retirement benefit obligation	28	-	(0.6)	-	(0.6)
Taxation paid		(3.5)	-	(3.5)	-
Net cash generated from operating activities		134.8	135.7	113.9	139.5

		Group 2025	Group 2024	Society 2025	Society 2024
Cash flows from investing activities	Notes	£m	£m	£m	£m
Purchase of convertible loan note		-	(1.1)	-	(1.1)
Purchase of debt securities	12	(488.9)	(268.1)	(488.9)	(268.1)
Disposal of debt securities	12	240.2	153.5	240.2	153.5
(Disposal) / purchase of property, plant and equipment		(0.9)	(0.7)	(0.9)	(0.7)
Purchase of intangible assets	19	(5.8)	(6.5)	(5.8)	(6.5)
Net cash used in investing activities		(255.4)	(122.9)	(255.4)	(122.9)
Cash flows from financing activities					
Interest paid on subscribed capital	34	(1.9)	(1.9)	(1.9)	(1.9)
Principal element of lease payments		(0.5)	(0.5)	(0.5)	(0.5)
Net increase		(123.0)	10.4	(143.9)	14.2
Cash and cash equivalents at 1 st January		449.6	439.1	441.3	427.1
Cash and cash equivalents at 31st December	11	326.6	449.5	297.4	441.3

Total interest received was £203.9m (2024: £165.9m) and total interest paid was £161.4m (2024: £133.5m).

The notes on pages 88 to 132 form part of these accounts.

Notes to the Accounts for the years ended 31st December 2025 and 31st December 2024

1. Accounting policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below.

Basis of preparation

Both the Society and Group Annual Accounts are prepared and approved by the Directors in accordance with UK adopted international accounting standards ('IAS') and those parts of the Building Societies Act 1986 and Building Societies (Accounts and Related Provisions) Regulations 1998 applicable to societies reporting under UK adopted IAS. The Annual Accounts are prepared under the historical cost convention, modified for assets and liabilities held at fair value.

The Financial Statements are prepared in pounds sterling, which is the functional currency of the Group, and have been rounded to the nearest one hundred thousand pounds.

Governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently Financial Statements cannot capture all possible future outcomes as these are not yet known nor capable of reasonable estimation. The degree of uncertainty of these changes may also mean that they cannot be conclusively considered when

determining asset and liability valuations and the timing of future cash flows under the requirements of applicable accounting standards. At 31st December 2025, the Group considers its present financial exposure to climate-related risk to the best of its knowledge to be immaterial, including with respect of the climate change commitments made in the Sustainability Report on pages 32 to 37. As such, no material adjustments have been made to the valuation of assets and liabilities in these Financial Statements.

The Directors have considered the risks and uncertainties discussed on pages 25 to 27 and 47 to 55, and the extent to which they might affect the preparation of the Annual Report and Accounts on a going concern basis. Key to this consideration were the risks associated to regulatory capital, liquidity and financial performance, together with the potential effects of prevailing interest rates, inflationary pressures and climate-related factors.

As with many other financial institutions, the Group meets its day-to-day liquidity requirements through prudent management of its retail and wholesale funding sources. It ensures that it maintains sufficient liquidity to meet both normal business demands and those that may arise in stressed circumstances.

The Group has a surplus to regulatory capital requirements and is forecasting this to remain across the going concern assessment period. Furthermore

the Group's forecasts and plans, taking account of current and possible future operating conditions, including stress tests and scenario analysis, which have considered income, expenses and overall quality of the mortgage portfolio, indicate that the Group has sufficient operating liquidity and capital for the foreseeable future, and specifically for the going concern assessment period to 4th March 2027 – twelve months from the date of the approval of the Annual Report and Accounts. As such, the Directors are satisfied that the Group has adequate resources to continue in business and to use the going concern basis in preparing the accounts.

The accounting policies for the Group also include those for the Society unless otherwise stated.

The preparation of accounts in conformity with UK adopted IAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Although these estimates are based on Management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

Notes to the Accounts - 1. Accounting policies (continued)

Changes in accounting policy

There are no newly issued standards or amendments effective in 2025 that have a material impact on the Group's accounting policies.

During the year, NBS changed its accounting policy for freehold land and buildings from the Cost model to the Revaluation model in accordance with IAS 16 Property, Plant and Equipment, to reflect the market value of these assets on the Balance Sheet, thereby increasing capital to support future investment and growth. Previously, these assets were carried at cost less accumulated depreciation and impairment. Under the new policy, they are measured at fair value, determined by periodic professional valuations, less subsequent depreciation.

The initial application of the Revaluation model is treated as a revaluation under IAS 16 rather than as a change in accounting policy under IAS 8. Accordingly, the change has been applied prospectively from the date of revaluation being 31st July 2025 and prior-year comparative figures have not been restated. The resulting increase in carrying amount has been recognised in equity through the revaluation reserve. Disposals of freehold land and buildings completed prior to 31st July 2025 have been accounted for under the Cost model, with any resulting profit or loss on disposal recognised in the Income Statement.

Future accounting developments

The following amendments and improvements to accounting standards have been issued by the International Accounting Standards Board ('IASB'):

- Effective 1st January 2026 - amendments to IFRS 9 and IFRS 7: amendments clarify the requirements for recognition and derecognition

of financial assets and liabilities, and in particular clarify that a financial liability is derecognised on the 'settlement date'. The amendments also introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date; and

- Effective 1st January 2027 - amendments to IFRS 18 will reshape the Income Statement by introducing new mandatory subtotals, defining categories for income / expenses and strengthen aggregation / disaggregation principles to enhance clarity and comparability.

Basis of consolidation

Subsidiary companies are defined as those in which the Society has the power over relevant activities, has exposure, or rights, to variable returns and has the ability to affect returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. The Group's accounts consolidate the assets, liabilities and results of the Society and all its subsidiaries, eliminating intercompany balances and transactions. All entities have accounting periods ending on 31st December. The results of subsidiary undertakings acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date that ownership ceases.

Special purpose funding vehicle

The Society has transferred the beneficial interest in certain loans and advances to members to two Special Purpose Funding Vehicles ('SPVs'). These SPVs enable

a subsequent raising of debt to investors who gained the security of the underlying assets as collateral. The SPVs are fully consolidated into the Group's accounts in accordance with IFRS 10 as the Society is deemed to have control over the SPVs.

The transfer of the beneficial interest in these loans to each SPV is not treated as sales by the Society. The Society continues to recognise these assets within its own Statement of Financial Position after the transfer because it retains substantially all the risk and rewards of the portfolio through the receipt of the majority of profits of the structured entity. In the accounts of the Society, the proceeds received from the transfer are accounted for as a deemed loan repayable to each SPV, which is held at amortised cost.

Interest income and expense

Interest income and interest expense for all interest-bearing financial instruments are recognised in 'interest receivable and similar income' or 'interest payable and similar charges'.

The Effective Interest Rate ('EIR') method is applied to all financial assets and financial liabilities measured at amortised cost and to all interest bearing financial assets measured at Fair Value through Other Comprehensive Income ('FVOCI'). Interest income on these financial assets is presented in interest receivable calculated using the effective interest rate method, together with the amortisation of fair value hedge adjustments. The effective interest rate is the rate that discounts the expected future cash flows, over the expected life of the financial instrument, to the net carrying amount of the financial asset or liability. This may include fees and commissions if they are an integral part of the effective interest rate of a financial instrument.

Notes to the Accounts - 1. Accounting policies (continued)

Interest income on financial assets is calculated by applying the EIR to the gross carrying amount of the financial asset, unless considered credit impaired. When a financial asset becomes credit impaired, and therefore considered as Stage 3, interest income is calculated by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit impaired, interest income is reverted to being calculated on a gross basis.

Interest income and expense also includes interest on derivatives measured at Fair Value through Profit and Loss ('FVPL'), where hedge accounting is not applied, using the contractual interest rate.

Fees and commissions

Fees receivable are generally recognised when all performance obligations of the contract have been fulfilled.

Commission receivable from the sale of third-party products is recognised upon fulfilment of contractual performance obligations, that is the inception date of the product or on completion of a mortgage.

If the fees are an integral part of the effective interest rate of a financial instrument, they are recognised as an adjustment to the effective interest rate and recorded in interest receivable / payable.

Fees payable are recognised on an accruals basis when the service has been provided or on the completion of an act to which the fee relates.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, treasury bills, other eligible bills, and loans and advances to credit

institutions with original maturities of less than three months from the date of acquisition. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash, are held for the purpose of meeting short-term cash commitments, and are subject to an insignificant risk of changes in value.

Derivative financial instruments and hedge accounting

The Group uses derivatives only for risk management purposes. It does not use derivatives for trading purposes. Derivatives are measured at fair value in the Statement of Financial Position. Fair values are obtained by applying quoted market rates to a discounted cash flow model. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9 for macro fair value hedge accounting associated with fixed rate mortgages and savings accounts. The Group applies IFRS 9 for micro fair value hedge accounting to fixed rate treasury assets.

The Group looks to designate derivatives held for risk management purposes as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group documents formally the relationship between the hedging instruments and adjustments to hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging

instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

If derivatives are not designated as hedges, then changes in their fair values are recognised immediately in the Income Statement in the period in which they arise.

Portfolio fair value hedges

Portfolio fair value hedges are used to hedge exposures to variability in the fair value of financial assets and liabilities, such as fixed rate mortgages and savings products. Changes in the fair value of derivatives are recognised immediately in the Income Statement together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line in the Income Statement as the hedged item).

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedge item, for which the effective interest method is used, is amortised to the Income Statement over its remaining life.

Financial assets

Classification and Measurement

Financial assets comprise cash, loans and advances to credit institutions, debt securities, derivative financial instruments and loans and advances to members. The Group classifies non-derivative

Notes to the Accounts - 1. Accounting policies (continued)

financial assets as either amortised cost, FVOCI or FVPL depending on the business model for managing the assets and the contractual cash flow characteristics. The Group determines its business model at the level that best reflects how it manages groups of assets to achieve its business objective. In making this assessment it considers how the performance of the business model is evaluated and reported within the Group, how the risks of the business model are managed and the expected frequency, value and timing of sales of assets. The contractual terms of the financial assets are assessed to determine whether their cash flows represent solely payments of principal and interest or expose the Group to other risks.

Amortised cost

Financial assets whose business model is to hold for collection of contractual cash flows where those cash flows represent Solely Payments of Principal and Interest ('SPPI') are measured at amortised cost. Interest income from these financial assets is included in net interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. The carrying value of these assets is adjusted by any expected credit loss allowance recognised.

The Society classifies the following financial instruments as amortised cost:

- cash in hand and balances with the Bank of England;
- loans and advances to credit institutions; and
- loans and advances to members.

Loans and advances to members

The initial value of loans and advances to members may, if applicable, include certain upfront costs and

fees such as procurement fees, legal fees, valuation fees, mortgage indemnity guarantee premiums and application fees, which are recognised over the expected life of mortgage assets. Mortgage discounts are also recognised over the expected life of mortgage assets as part of the effective interest rate.

Throughout the year and at each year end, the mortgage life assumptions are reviewed for appropriateness. Any changes to the expected life assumptions of the assets are recognised through interest receivable and similar income and reflected in the carrying value of the mortgage assets.

Included in loans and advances to members of the Society are balances which have been used to secure funding issued by the Group's special purpose vehicles, which are consolidated into the Group's Financial Statements. The beneficial interest in the underlying loans has been transferred to these entities. The loans are retained within the Society's Statement of Financial Position as the Society retains substantially all of the risks and rewards relating to the loans.

Fair value through other comprehensive income

NBS recognises its debt securities as FVOCI assets. The business model for these financial assets is to hold for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest and are measured at FVOCI. Fair value movements are recognised in OCI, while interest income and Expected Credit Losses ('ECL') are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from reserves to the Income Statement. Interest income from these financial assets is included in net interest income using the effective interest rate method. The

expected credit loss for these assets does not reduce the carrying amount in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were at amortised cost, is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Interest income from these financial assets is included in net interest income, within 'on derivatives not in a hedge accounting relationship'. The Society recognises its derivative financial instruments, equity investments and convertible loan notes as FVTPL assets.

Impairment of financial assets not carried at fair value through profit or loss

Under IFRS 9, the Group assesses on a forward-looking basis the ECL associated with its financial assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments. The allowance is based on the ECLs associated with the probability of default in the next 12-months unless there has been a significant increase in credit risk since origination and the measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- 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 - 1. Accounting policies (continued)

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

Stage 1: a financial instrument that is not credit-impaired on initial recognition and its credit risk has not significantly increased since origination. ECL is measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12-months.

Stage 2: if a significant increase in credit risk ('SICR') since initial recognition is identified, the financial asset is moved to 'Stage 2' but is not yet deemed to be credit impaired. The definition of a significant increase in credit risk is detailed below. ECL for Stage 2 assets are measured based on expected credit losses on a lifetime basis.

Stage 3: if the financial asset is credit-impaired, it is moved to 'Stage 3'. The definition of credit-impaired and default is outlined below. ECL for Stage 3 assets is also measured on expected credit losses on a lifetime basis.

Forward-looking information is considered in the measurement of ECL with its use of economic assumptions such as inflation, unemployment rates, house price indices and Gross Domestic Product ('GDP').

The Group has no purchased or originated credit impaired assets.

Significant Increase in Credit Risk ('SICR')

The Group considers a financial instrument to have experienced a significant increase in credit risk when one of more of the following criteria has been met:

Loans and advances to members - Retail	<ul style="list-style-type: none"> • over 30 days past due on contractual repayments; • change in Probability of Default ('PD') exceeds relative threshold of 100% and absolute threshold of 0.5%; or • in forbearance.
Loans and advances to members – Secured Business Lending	<ul style="list-style-type: none"> • over 30 days past due on contractual repayments; • change in PD exceeds relative threshold of 100% and absolute threshold of 0.5%; or • in forbearance.
Wholesale liquidity instruments	<ul style="list-style-type: none"> • any arrears or receipt of adverse information.

Definition of default and credit-impaired

The Group defines a financial asset as in default, which is fully aligned with the definition of credit-impaired, when it is more than 90-days past due on contractual repayments.

It is the Society's policy to consider a financial instrument as 'cured' and therefore reclassified out of Stage 3 when none of the default criteria have been present for at least twelve consecutive months for forbearance defaults and nine months for any other defaults. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated position, at the time of the cure, and whether there has been a significant increase in credit risk compared to initial recognition.

Loans and advances to members

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. Forecasts of these economic variables are provided by a reputable third party on a regular basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime, a mean reversion approach is used, i.e. long-run averages. In addition to the Base economic scenario forecast, other possible scenarios along with scenario weightings are obtained, of which management has applied four (2024: four) scenarios in the model calculations to align with wider market practices. Further details of these scenarios are outlined in Note 15.

Notes to the Accounts - 1. Accounting policies (continued)

ECL models

The ECL models are driven by three key components:

Probability of Default: the PD model takes attributes of the mortgage accounts on the portfolio (for example, origination vintage and time on book) and adjusts for the impacts of a range of independently sourced forward-looking macroeconomic scenarios to produce a vector detailing the likelihood of an account defaulting in a given month within the expected behavioural lifetime. The model outputs are scaled against a number of internal risk grades which are determined using the Society's behavioural scoring models. These behavioural scoring models contain a combination of internal and externally derived data to rank the mortgage accounts by risk and pool the accounts into groups of comparable expected performance.

Exposure at Default ('EAD'): the EAD model predicts the loan exposure of each mortgage account at a future default date. The model takes into account balance amortisation and accrued interest from missed payments given expected changes in the repayment terms of the mortgage; for example interest rates may move in a manner consistent with the macroeconomic scenarios. The calculation produces a vector to represent 'expected' EAD at each potential point of default along the vector from the reporting date up to the expected behavioural lifetime; and

Loss Given Default ('LGD'): the LGD model calculates the likely loss on asset disposal that the Society would suffer if a default were to occur in any given month over the expected behavioural lifetime of the mortgage account. LGD takes into account the EAD in comparison to the value expected to be recovered through the sale of an asset, given the macroeconomic scenario specific trend in property price indices. The expectation of loss is then scaled to reflect the likelihood of a mortgage account reaching default, progressing on to sale of the asset.

Forbearance strategies and renegotiated loans

A range of forbearance options are available to support members who are in financial difficulty. The purpose of forbearance is to support members who have temporary financial difficulties and help them get back on their feet.

The main options offered by the Society include:

- reduced monthly payment;
- an arrangement to clear outstanding arrears;
- temporary interest only; and
- extension of mortgage term.

Members requesting a forbearance option will need to provide information to support the request which is likely to include a budget planner, statement of assets and liabilities, bank / credit card statements, payslips etc. in order that the request can be properly assessed. If the forbearance request is granted the account is monitored in accordance with our policy and procedures. At the appropriate time the forbearance option that has been implemented is cancelled, except for capitalisation of arrears, and the customer's normal contractual payment is restored.

Loans that are subject to restructuring may only be classified as restructured and up to date once a specified number and / or amount of qualifying payments have been received. These qualifying payments are set at a level appropriate to the nature of the loan and the member's ability to make the repayment going forward. Typically, the receipt of six months' qualifying payments is required. Loans that have been restructured and

would otherwise have been past due or impaired are classified as renegotiated.

The carrying amount of loans that have been classified as renegotiated retain this classification until maturity or derecognition. Interest is recorded on renegotiated loans based on new contractual terms following renegotiation. The original effective interest rate will be retained.

Modifications

The Society may on occasion modify the contractual terms of loans provided to members. When this is solely for commercial reasons and considered part of the ordinary course of business, there is no impact on the impairment approach. Generally, forbearance at the Society, whether retail or SBL lending, does not result in the terms of the loan being modified so significantly that it becomes substantially a different financial asset, and therefore, the original loan remains and does not result in derecognition.

Write-off of financial assets

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery, for example by bankruptcy, insolvency, renegotiation and similar events. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the loss allowance, which is then applied to the gross carrying amount. Any subsequent recoveries are credited to the Income Statement on settlement receipt.

Notes to the Accounts - 1. Accounting policies (continued)

Cash in hand and balances with the Bank of England, Loans and advances to credit institutions and debt securities

The Group reviews the external credit ratings of its liquid assets at each reporting date. Those assets, which are of investment grade or higher, are considered to have low credit risk and therefore are assumed to have not had a significant increase in credit risk since initial recognition. This includes the Society's debt security portfolio. The Society's policy to allow only high quality, senior secured exposures to RMBS and Covered Bonds ensures continued Society receipt of contractual cash flows in stressed scenarios. For all other wholesale liquidity balances, a simple model calculates the ECL allowance, based on externally provided 12-month PD rates for individual counterparties.

Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have expired or where substantially all the risks and rewards of ownership have been transferred. Financial liabilities are derecognised only when the obligation is discharged, cancelled or has expired.

Financial liabilities

All non-derivative financial liabilities, that include shares and wholesale funds, held by the Group are measured at amortised cost with interest recognised using the effective interest rate method. Discounts and other costs incurred in the raising of wholesale funds are amortised over the period to maturity using the effective interest rate method.

Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify financial instruments held at fair value and those not measured at fair value but for which the fair value is disclosed according to a hierarchy that reflects the significance of observable market inputs in calculating those fair values. The three levels of the fair value hierarchy are defined as:

Level 1 – Valuation using quoted market prices

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price reflects actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Level 2 – Valuation technique using observable inputs

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuations based on observable inputs include derivative financial instruments such as swaps and forwards which are valued using market standard pricing techniques and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable. They also include investment securities valued using consensus pricing or other observable market prices.

Level 3 – Valuation technique using significant unobservable inputs

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data ('unobservable inputs'). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels can generally be determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

Notes to the Accounts - 1. Accounting policies (continued)

Subscribed capital

Subscribed capital comprises PIBS which have no voting rights and have contractual terms to settle interest and is therefore classified as a financial liability. It is presented separately on the face of the Statement of Financial Position. Subscribed capital is initially recognised at 'fair value' being its issue proceeds net of transaction costs incurred, and subsequently held at amortised cost.

The interest on the subscribed capital is recognised on an effective interest rate basis in the Income Statement as interest expense.

Intangible assets

Computer software

Purchased software and costs and internal time directly associated with the internal development of computer software are capitalised as intangible assets where the software is an identifiable asset controlled by the Group which will generate future economic benefits and where costs can be reliably measured. Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an expense as incurred. Intangible assets are stated at cost less cumulative amortisation and impairment losses.

Amortisation begins when the asset becomes available for operational use and is charged to the Income Statement on a straight-line basis over the estimated useful life of the software, which is between 1 to 8 years. The amortisation periods used are reviewed annually.

Assets are reviewed for impairment at each Statement of Financial Position date or whenever

events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and its value in use.

Property, plant and equipment

Additions and improvements to office premises and equipment, including costs directly attributable to the acquisition of the asset, are capitalised at cost.

Freehold land and buildings are measured under the Revaluation model, while leasehold premises and other assets remain under the Cost model. The property, plant and equipment value in the Statement of Financial Position represents original cost (or fair value for revalued assets) less cumulative depreciation. Depreciation is charged on a straight-line basis over estimated useful economic lives as follows:

Asset Class	Measurement Model	Depreciation Policy
Freehold land and buildings	Revaluation	Land: no depreciation Buildings: 100 years
Leasehold improvements	Cost	Lease term
Refurbishment of premises	Cost	5–10 years or length of lease if shorter
Equipment, fixtures, fittings, vehicles	Cost	4–10 years

For assets measured using the Cost model, an impairment review is performed at each Statement of Financial Position date, or whenever events or changes in circumstances suggest that the carrying amount may not be recoverable. If the carrying amount of an asset exceeds its recoverable amount, it is immediately written down to that recoverable

amount. The recoverable amount is defined as the higher of the asset's fair value less costs to sell, and its value in use.

For assets measured under the Revaluation model, fair value movements arising from revaluations are recognised in Other Comprehensive Income and accumulated in the Revaluation Reserve within equity. Where a revaluation reverses a previous decrease recognised in profit or loss, the reversal is recognised in profit or loss to the extent of the previous decrease. The balance on the Revaluation Reserve is non-distributable.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group recognises lease liabilities, as the current value of future lease payments, and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement

Notes to the Accounts - 1. Accounting policies (continued)

date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term, adjusted to take account of any expected break or extension options.

The lease terms are as follows:

- leasehold premises over 10 to 15 years;
- equipment, fixtures and fittings over 3 to 5 years; or
- motor vehicles over 3 to 5 years.

Right-of-use assets are reviewed for impairment at each Statement of Financial Position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and its value in use.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate. The lease payments include fixed payments less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under any residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable.

The incremental borrowing rate is determined based on the cost of funding to the Group. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

The Group does not have an option to purchase the underlying asset in its lease agreements.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12-months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to assets that are considered be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the term of the lease.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in OCI, in which case it is recognised in other comprehensive Income.

Current tax is the expected tax payable on the taxable income and gains arising in the accounting period.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets

and liabilities and their carrying amounts in the Financial Statements. Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and the authority permits the Society to make a single net payment. Deferred tax assets are only recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Both current and deferred taxes are determined using the rates enacted or substantively enacted at the Statement of Financial Position date.

Tax relating to fair value re-measurement of investments measured at FVOCI, which are charged or credited directly to OCI, is also credited or charged directly to other comprehensive income and is subsequently recognised in the Income Statement when the deferred fair value gain or loss is recognised in the Income Statement.

Tax relating to actuarial gains / (losses) on retirement benefit obligations is recognised in other comprehensive income.

Notes to the Accounts - 1. Accounting policies (continued)

Employee benefits

Long-term incentive schemes

The costs of bonuses payable after the end of the year in which they are earned are recognised on an accruals basis in the year in which the employees render the related service.

Pensions

The Group operated a contributory defined benefit pension scheme until 31st January 2009 when it was closed to future service accrual. The assets are held in a separate trustee administered fund. Included within the Statement of Financial Position is the Group's net obligation calculated as the present value of the defined benefit obligation less the fair value of plan assets less any unrecognised past service costs. Any remeasurements that arise are recognised immediately in OCI through the Statement of Comprehensive Income. The finance cost is recognised within administrative expenses. The finance cost is the increase in the defined benefit obligation which arises because the benefits are one period closer to settlement.

Contributions are transferred to the Trustee administered fund on a regular basis to secure the benefits provided under the rules of the scheme. Pension costs are assessed in accordance with the advice of a professionally qualified actuary.

The Group also operates a contributory defined contribution pension scheme, the assets of which are held separately from those of the Group. For this scheme the cost is charged to the Income Statement on an accruals basis.

Provisions and contingent liabilities

The Group recognises a provision when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Please see Note 27 for further information in relation to the provision associated with the Philips Trust Corporation voluntary payment scheme.

The Society has an obligation to contribute to the Financial Services Compensation Scheme ('FSCS') to enable the FSCS to meet compensation claims from, in particular, retail depositors of failed banks. A provision is recognised to the extent it can be reliably estimated and when the Society has an obligation in accordance with IFRIC 21. The amount provided is based on information received from the FSCS, forecast future interest rates and the Society's historic share of industry protected deposits.

Contingent liabilities are potential obligations from past events which will only be confirmed by future events. Contingent liabilities are not recognised in the Statement of Financial Position.

Accounting estimates and judgements

Whilst preparing the Financial Statements, no judgements have been made in the process of applying the Group's significant accounting policies, other than those involving estimations, which have had a significant effect on the amounts recognised in the Financial Statements. The Group's significant estimates, including judgements involving estimations, are shown below.

Impairment losses on loans and advances to members

The Group reviews its mortgage portfolio at least monthly to assess impairment. In determining whether an impairment loss should be recorded, the Group is required to exercise a degree of judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values and the assessment of significant increase in credit risk. The Society's ECL calculations under IFRS 9 are outputs of complex models with several underlying assumptions regarding the choice of variable inputs and their interdependencies, which individually are not possible to isolate. Note 15 outlines the accounting policies and key definitions for IFRS 9.

Key elements of the ECL models that are considered accounting judgements, including estimation, include:

- the internal credit grading model, which assigns PDs to individual accounts;
- the criteria for assessing if there has been a significant increase in credit risk;
- determination of associations between macroeconomic scenarios, economic inputs and the effect on PDs, EADs and LGDs;
- selection of forward-looking macroeconomic scenarios and their probability weightings to derive economic inputs to the ECL models; and
- post model adjustments to address model limitations, including the:
 - i) potential for interest rate shock; and
 - ii) cost-of-living & inflationary impact.

Notes to the Accounts - 1. Accounting policies (continued)

Employee benefits

The Group operates a defined benefit pension scheme. Significant judgements (on such areas as future interest and inflation rates and mortality rates) have to be exercised in estimating the value of the assets and liabilities of the scheme. The assumptions are outlined in Note 28 to the accounts. Of these assumptions, the main determinant of the liability is the discount rate. A variation of 0.25% in the discount rate will change liabilities by approximately £1.0m (2024: £1.0m).



2. Segmental reporting

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.

Following the disposal of several subsidiaries in prior years, the remaining trade of the Group relates purely to retail financial services which includes the provision of mortgages, savings, third party insurance and investments. The results of the Society are assessed by Management as one retail business unit as opposed to separate functional divisions.

As there is only one trade and retail business unit within the Group, the results of the financial services business are presented on the face of the Income Statement and as such no separate disclosure is required within this note.

3. Interest receivable and similar income

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
On loans fully secured on residential property	170.6	142.4	170.6	142.4
On secured business loans	36.6	27.5	36.6	27.5
On amounts due from group undertakings	-	-	3.5	3.9
On liquid assets	17.2	23.3	17.2	23.3
On instruments held at amortised cost	224.4	193.2	227.9	197.1
On debt securities held at FVOCI	26.9	21.0	26.1	21.0
On derivatives held in hedge relationships	29.4	53.1	29.4	53.2
On instruments calculated on an EIR basis	280.7	267.3	283.4	271.3
On derivatives not in a hedge accounting relationship	8.9	10.7	0.4	1.3
	289.6	278.0	283.8	272.6

Interest on debt securities includes £9.9 million (2024: £3.3 million) arising from fixed income investment securities.

Included within interest income is £0.6 million (2024: £0.5 million) in respect of interest income accrued on impaired loans three or more months in arrears.

4. Interest payable and similar charges

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
On shares held by individuals	164.3	154.6	164.3	154.6
On amounts due to group undertakings	-	-	20.1	7.4
On deposits and other borrowings	29.8	28.2	6.0	15.4
On subscribed capital	2.0	2.0	2.0	2.0
On leases	0.1	0.1	0.1	0.1
On derivatives held in hedge relationships	6.7	9.5	6.7	9.5
	202.9	194.4	199.2	189.0

5. Net (losses) / gains from derivative financial instruments

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
Derivatives in designated fair value hedge relationships	(49.0)	(2.1)	(49.1)	(2.1)
Adjustments to hedged items in fair value hedge relationships	46.3	3.7	46.3	3.7
Derivatives not in designated fair value hedge relationships	(0.3)	2.3	7.5	5.8
	(3.0)	3.9	4.7	7.4

The Group's net losses from derivative financial instruments of £3.0 million (2024: net gains of £3.9 million) represents the net fair value movement on derivatives and adjustments to hedged items, including: £0.1m of losses (2024: gains of £2.1m) on swaps held against the mortgage pipeline; £0.9m of amortisation gains due to macro FV hedge accounting (2024: gains of £0.8m); £3.6m of losses (2024: gains of £0.8m) due to movements in the ineffectiveness of the macro FV hedge accounting portfolios; and £nil losses associated with micro FV hedge accounting (2024: £nil). The remaining gains / losses in both Group and Society relate to the derivatives hedging the secured funding balance.

Further information regarding the Group and Society's derivative financial instruments and fair value hedge accounting is presented in Notes 13 and 31 of the Financial Statements.

6. Administrative expenses

	Group 2025	Group 2024	Society 2025	Society 2024
Continuing operations	£m	£m	£m	£m
Wages and salaries	29.7	24.6	29.7	24.6
Social security costs	3.5	2.8	3.5	2.8
Other pension costs	1.6	1.1	1.6	1.1
Total employee costs	34.8	28.5	34.8	28.5
Other administrative costs	28.3	30.9	27.8	30.7
	63.1	59.4	62.6	59.2

The restructuring costs relating to continuing operations included in wages and salaries for the Group and Society in 2025 amounts to £2.6 million (2024: £1.2 million).

	Group 2025	Group 2024	Society 2025	Society 2024
Other administrative costs include:	£000	£000	£000	£000
Remuneration of auditors and associates (excluding VAT)				
Fees payable to the auditor for the audit of the Annual Accounts	429	416	429	416
Fees payable to the auditor for other services:				
• Audit of the accounts of subsidiary undertakings	44	11	-	-
• Audit of associated pension schemes	18	18	18	18
• Audit related assurance services	82	74	82	74
• Non-audit services	-	-	-	-
Total audit fees for the financial year	573	519	529	508

7. Employees

	Group 2025	Group 2024	Society 2025	Society 2024
Continuing operations	Number	Number	Number	Number
The average number of persons employed during the year was:				
Full-time	439	406	439	406
Part-time	107	105	107	105
	546	511	546	511
Building society				
Central Administration	367	331	367	331
Branches	179	180	179	180
	546	511	546	511

The average number of employees on a full-time equivalent basis in the Society was 512 (2024: 478) and all of these are employed within the UK.

8. Tax Charge

		Group 2025	Group 2024	Society 2025	Society 2024
Continuing operations	Notes	£m	£m	£m	£m
Current tax charge		6.2	4.2	6.2	4.2
Adjustments for prior years		-	-	-	-
Total current tax		6.2	4.2	6.2	4.2
Deferred tax		(0.1)	0.4	(0.1)	0.4
Adjustments for prior years		(0.1)	-	(0.1)	-
Total deferred tax	20	(0.2)	0.4	(0.2)	0.4
		6.0	4.6	6.0	4.6

The total tax charge for the year differs from that calculated using the UK standard rate of corporation tax. The differences are explained below:

8. Tax Charge (continued)

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
Profit before taxation	16.7	13.9	22.8	17.6
Expected tax charge at 25% (2024: 25%)	4.2	3.4	5.7	4.4
Expenses not deductible for corporation tax	0.4	0.2	0.4	0.2
Effective securitisation	1.5	1.0	-	-
Adjustment for prior years	(0.1)	-	(0.1)	-
	6.0	4.6	6.0	4.6

The tax charge for Arrow Mortgage Finance No.1 Ltd and Lace Funding 2025-1 PLC has been calculated in accordance with the permanent regime for taxation of securitisation companies and its corporation tax is calculated by reference to its retained profits and not accounting profit and loss. This results in a negligible tax charge within these entities and a higher level of taxation within the Society on a standalone basis in both 2024 and 2025.

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
Tax recognised directly in other comprehensive income				
Tax expense on FVOCI assets	-	-	-	-
Tax expense on revaluation reserve	0.1	-	0.1	-
Tax expense on pension scheme	-	0.2	-	0.2
Tax expense for the year	0.1	0.2	0.1	0.2

Factors affecting standard rate of tax

Deferred tax assets and liabilities are measured at the enacted tax rates that are expected to apply when the related asset is realised or liability is settled.

9. Cash in hand and balances with the Bank of England

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
Cash in hand	1.1	1.1	1.1	1.1
Balances with the Bank of England	295.9	440.1	295.9	440.1
	297.0	441.2	297.0	441.2

10. Loans and advances to credit institutions

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
Repayable on call and short notice	29.6	9.3	0.4	0.1
Other loans and advances to credit institutions	39.7	12.3	39.7	12.3
	69.3	21.6	40.1	12.4

As at 31st December 2025 £39.7 million (2024: £12.3 million) of cash has been deposited by the Group and Society as collateral against derivative contracts.

11. Cash and cash equivalents

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
Cash in hand and balances with the Bank of England	297.0	441.2	297.0	441.2
Loans and advances to credit institutions	29.6	8.3	0.4	0.1
	326.6	449.5	297.4	441.3

12. Debt securities

Group and Society	Notes	2025	2024
		£m	£m
Debt securities			
Gilts		96.3	15.1
Treasury bills		148.3	93.6
Fixed rate notes		97.4	32.8
Floating rate notes		34.1	26.6
Mortgage backed securities		129.1	128.6
Floating covered bonds		199.6	157.5
		704.8	454.2
Movements on debt securities during the year may be analysed as follows:			
As at 1 st January		454.2	340.1
Additions		488.8	268.1
Disposals and maturities		(240.2)	(153.5)
Loss on disposal of treasury assets taken to Income Statement		-	-
Net gains / (losses) from changes in fair value recognised in other comprehensive income	30	2.0	(0.5)
		704.8	454.2

Of this total £342.0 million (2024: £141.5 million) is attributable to fixed income debt securities.

Debt securities include items with a carrying value of £nil (2024: £nil) which have been pledged as collateral under BoE facilities.

13. Derivative financial instruments

Group	2025	2025	2025	2024	2024	2023/24
	Contract / notional amount	Fair value of assets	Fair value of liabilities	Contract / notional amount	Fair value of assets	Fair value of liabilities
	£m	£m	£m	£m	£m	£m
Derivatives not in a hedge accounting relationship						
Interest rate swaps	1,006.1	3.5	(4.2)	609.6	11.4	(11.9)
Derivatives designated as fair value hedges						
Interest rate swaps - macro hedge accounting	4,809.8	25.9	(25.1)	4,662.2	69.0	(11.0)
Interest rate swaps - micro hedge accounting	185.3	-	(1.9)	48.3	0.5	-
	6,001.2	29.4	(31.2)	5,320.1	80.9	(22.9)

Society	2025	2025	2025	2024	2024	2024
	Contract / notional amount	Fair value of assets	Fair value of liabilities	Contract / notional amount	Fair value of assets	Fair value of liabilities
	£m	£m	£m	£m	£m	£m
Derivatives not in a hedge accounting relationship						
Interest rate swaps	535.6	-	(4.2)	404.8	0.3	(11.9)
Derivatives designated as fair value hedges						
Interest rate swaps - macro hedge accounting	4,809.8	25.6	(25.1)	4,662.2	68.7	(11.0)
Interest rate swaps - micro hedge accounting	185.3	-	(1.9)	48.3	0.5	-
	5,530.7	25.6	(31.2)	5,115.3	69.5	(22.9)

Derivative fair values have fallen in the year due to changes in the interest rate environment. Further information regarding the Group's hedge accounting and fair value hedges is presented in Note 31.

The Group's interest rate swaps which are not held by the Society are held by Arrow Mortgage Finance No. 1 Ltd & Lace Funding 2025-1 PLC and hedge the interest rate risk associated with the Group's securitisation funding.

14. Loans and advances to members

		2025	2024
Group and Society	Notes	£m	£m
Loans fully secured on residential property		3,569.9	3,650.3
Secured business loans		716.8	589.5
Loans gross balance		4,286.7	4,239.8
Effective interest rate adjustment		6.8	1.7
Provision for impairment losses on loans and advances	15	(4.5)	(5.2)
Fair value adjustment for hedged risk		16.0	(34.5)
		4,305.0	4,201.8

Encumbrance

The Society pledges a proportion of its loans and advances to members to enable it to access funding either through a secured funding arrangement or as whole mortgage loan pools with the BoE.

Loans and advances to members used to support these funding activities are as follows:

	Mortgages pledged	Held by third parties	Held by the Group drawn	Held by the Group undrawn
Group and Society 2025	£m	£m	£m	£m
Bank of England	535.4	-	-	535.4
Other secured funding	462.4	462.4	-	-
	997.8	462.4	-	535.4

	Mortgages pledged	Held by third parties	Held by the Group drawn	Held by the Group undrawn
Group and Society 2024	£m	£m	£m	£m
Bank of England	710.1	-	384.9	325.2
Other secured funding	209.5	209.5	-	-
	919.6	209.5	384.9	325.2

Other secured funding

As at 31st December 2025 loans and advances to members also includes balances for both the Group and Society which have been used in secured funding arrangements, resulting in the beneficial interest of these loans being transferred to Arrow Mortgage Finance No.1 Limited and Lace Funding 2025-1 PLC, SPVs consolidated into the Group's Accounts. All of the loans pledged, with a book value of £462.4 million (2024: £209.5 million) and a fair value of £528.9 million (2024: £205.2 million) are retained within the Society's Statement of Financial Position as the Society retains substantially all the risk and rewards relating to the loans. These loans secure £408.9 million (2024: £184.7 million) of funding for the Group (Note 25) and £457.7 million (2024: £208.2 million) of funding for the Society (Note 24).

15. Provision for impairment losses on loans and advances to members

Impairment provisions have been deducted from the appropriate asset values on the Statement of Financial Position. The gross carrying amounts and impairment provisions are presented in detail below:

	2025 Loans fully secured on residential property	2025 Secured business loans	2025 Total	2024 Loans fully secured on residential property	2024 Secured business loans	2024 Total
Group and Society	£m	£m	£m	£m	£m	£m
Gross carrying amount						
Stage 1	3,301.0	676.6	3,977.6	3,279.7	550.1	3,829.8
Stage 2	240.6	34.8	275.4	351.9	31.9	383.8
Stage 3	28.3	5.4	33.7	18.7	7.5	26.2
	3,569.9	716.8	4,286.7	3,650.3	589.5	4,239.8

15. Provision for impairment losses on loans and advances to members (continued)

	2025 Loans fully secured on residential property	2025 Secured business loans	2025 Total	2024 Loans fully secured on residential property	2024 Secured business loans	2024 Total
Group and Society	£m	£m	£m	£m	£m	£m
Expected credit loss allowance						
Stage 1	1.6	1.2	2.8	2.4	1.3	3.7
Stage 2	0.8	0.4	1.2	0.6	0.3	0.9
Stage 3	0.2	0.3	0.5	0.1	0.5	0.6
	2.6	1.9	4.5	3.1	2.1	5.2

The Society's ECL coverage ratio, as a percentage of gross loans is 0.11% at 31st December 2025 (2024: 0.12%) for the total book.

At 31st December 2025, £13.2m of balances were over 3-months in arrears (2024: £9.0 million), representing 0.3% of the total mortgage book (2024: 0.2%). As at 31st December 2025, 0.4% (2024: 0.4%) of mortgage members have some sort of contractual forbearance arrangement in place. Further details of the Society's arrears and forbearance cases are disclosed in Note 31.

The ECL allowance recognised against the Society's future loan commitment balance at 31st December 2025 and 2024 is immaterial to the Financial Statements and therefore has not been separately disclosed. Future loan commitments are classified as Stage 1 for ECL calculation purposes under IFRS 9.

Post model adjustment

Due to the level of uncertainty in the economy, at 31st December 2025, the Society has applied an overlay to its core ECL models to reflect Management's view that there will be an impact on affordability as a result of the cumulative impact of recent inflationary pressures and the interest rate environment. An overlay ECL allowance of £2.8 million has been recognised at 31st December 2025 (2024: £3.8 million). Due to easing of inflation at the end of 2025, the PD Uplift associated with cost-of-living and inflation has reduced to an absolute 4% PD uplift (2024: 6%) to retail and 4% PD uplift (2024: 4%) for commercial Stage 1 and 2 accounts.

The (release) / charge to the Income Statement comprises:

	2025 Loans fully secured on residential property	2025 Other loans fully secured on land	2025 Total	2024 Loans fully secured on residential property	2024 Other loans fully secured on land	2024 Total
Group and Society	£m	£m	£m	£m	£m	£m
(Release) / charge of provision for impairment	(0.5)	(0.2)	(0.7)	(0.4)	0.4	-
	(0.5)	(0.2)	(0.7)	(0.4)	0.4	-

The charge for amounts written off on loans and advances to members in 2025 amounts to £0.3m (2024: £nil). There have been no recoveries of debts previously written-off.

The tables below reconcile the movement in both gross balances and expected credit losses in the period.

Gross balances	Non-credit impaired		Credit impaired		Total
	Subject to 12 month ECL Stage 1	Subject to lifetime ECL Stage 2	Subject to lifetime ECL Stage 3		
	£m	£m	£m	£m	
At 1st January 2025	3,829.8	383.8	26.2		4,239.8
Stage transfers:					
Transfers from Stage 1 to Stage 2	(170.8)	170.8	-		-
Transfers to Stage 3	(6.7)	(8.3)	15.0		-
Transfers from Stage 2 to Stage 1	163.9	(163.9)	-		-
Transfers from Stage 3	3.6	1.9	(5.5)		-
Net movement arising from transfer of stage	(10.0)	0.5	9.5		-
New assets originated	865.4	6.0	2.3		873.7
Net further lending / repayments and redemptions	(707.6)	(114.9)	(4.3)		(826.8)
At 31st December 2025	3,977.6	275.4	33.7		4,286.7

15. Provision for impairment losses on loans and advances to members (continued)

Post model adjustment (continued)

Expected credit loss allowance	Non-credit impaired		Credit impaired		Total
	Subject to 12 month ECL	Subject to lifetime ECL	Subject to lifetime ECL	Total	
	Stage 1	Stage 2	Stage 3		
	£m	£m	£m	£m	£m
At 1st January 2025	3.7	0.9	0.6		5.2
Stage transfers:					
Transfers from Stage 1 to Stage 2	(0.2)	0.2	-		-
Transfers to Stage 3	-	(0.1)	0.1		-
Transfers from Stage 2 to Stage 1	0.3	(0.3)	-		-
Transfers from Stage 3	-	0.1	(0.1)		-
Net movement arising from transfer of stage	0.1	(0.1)	-		-
New assets originated ¹	0.8	0.1	0.0		0.9
Further lending / repayments and redemptions	(1.5)	(0.2)	(0.2)		(1.9)
Impact of change in macroeconomic forecast	(0.3)	0.5	0.1		0.3
At 31st December 2025	2.8	1.2	0.5		4.5

¹ New assets originated enter at Stage 1. The balances presented are the final position as at 31st December 2025.

Gross balances	Non-credit impaired		Credit impaired		Total
	Subject to 12 month ECL	Subject to lifetime ECL	Subject to lifetime ECL	Total	
	Stage 1	Stage 2	Stage 3		
	£m	£m	£m	£m	£m
At 1st January 2024	3,185.2	384.9	22.3		3,592.4
Stage transfers:					
Transfers from Stage 1 to Stage 2	(257.6)	257.6	-		-
Transfers to Stage 3	(7.1)	(4.4)	11.5		-
Transfers from Stage 2 to Stage 1	147.1	(147.1)	-		-
Transfers from Stage 3	3.0	2.0	(5.0)		-
Net movement arising from transfer of stage	(114.6)	108.1	6.5		-
New assets originated ¹	1,185.6	14.7	1.6		1,201.9
Net further lending / repayments and redemptions	(426.4)	(123.9)	(4.2)		(554.5)
At 31st December 2024	3,829.8	383.8	26.2		4,239.8

¹ New assets originated enter at Stage 1. The balances presented are the final position as at 31st December 2024.

Expected credit loss allowance	Non-credit impaired		Credit impaired		Total
	Subject to 12 month ECL	Subject to lifetime ECL	Subject to lifetime ECL	Total	
	Stage 1	Stage 2	Stage 3		
	£m	£m	£m	£m	£m
At 1st January 2024	4.1	0.7	0.4		5.2
Stage transfers:					
Transfers from Stage 1 to Stage 2	(0.2)	0.2	-		-
Transfers to Stage 3	-	-	-		-
Transfers from Stage 2 to Stage 1	0.2	(0.2)	-		-
Transfers from Stage 3	-	-	-		-
Net movement arising from transfer of stage	-	-	-		-
New assets originated ¹	1.3	0.1	-		1.4
Net further lending / repayments and redemptions	(1.5)	(0.2)	-		(1.7)
Impact of change in macroeconomic forecast	(0.2)	0.3	0.2		0.3
At 31st December 2024	3.7	0.9	0.6		5.2

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information, which takes into account key economic impacts. Key economic variables have been determined by management, but expert judgement is also applied. Forecasts of these economic variables are provided by a reputable third party, providing a best estimate view of the economy over the next five years. After five years, a mean reversion approach is used, i.e. long-run averages.

In addition to the base economic scenario forecast, other possible scenarios along with scenario weightings are obtained, of which management have applied four scenarios in the model calculations. In the prior year, the Society applied a four-scenario approach, with weightings of 40% (base), 30% (upside), 23% (downside) and 7% severe applied. These scenarios continue to be consistently provided by a reputable third party.

15. Provision for impairment losses on loans and advances to members (continued)

Post model adjustment (continued)

Forward-looking information incorporated in the ECL models (continued)

As at 31 st December 2025		Weighting
Base	In the Base scenario, the overall economic impact is now expected to be less pronounced than previously anticipated. Nonetheless, U.S. tariffs and softer global growth are still likely to constrain UK GDP expansion over the forecast period. The unemployment rate is projected to stabilise, but the increase already observed is expected to maintain downward pressure on wage growth. With inflation concerns persisting, the BoE is likely to slow the pace of interest rate cuts in 2026. Even so, we continue to expect policy rates to ultimately decline to slightly below 3%.	40%
Upside	In the Upside scenario, we assume that the intensive phase of the war in Ukraine comes to an end. A renewed expansion in both demand and supply supports stronger economic growth, easing recession concerns and lifting consumer and business confidence. The unemployment rate is expected to decline as hiring activity improves. However, rapid growth in demand also results in stronger inflationary pressures than in the Baseline scenario. House prices accelerate at a faster pace, and the associated positive wealth effects provide additional support to household consumption.	30%
Downside	In the Downside scenario, global growth concerns intensify, driven primarily by the ongoing trade war and heightened geopolitical tensions related to the conflict in Ukraine. As consumer confidence weakens, households cut back on spending, triggering a moderate recession as firms respond with workforce reductions. Inflation is expected to fall more quickly than in the Baseline scenario. Rising worries over household debt prompt banks to tighten lending standards, restricting credit availability. This reduction in credit flows leads to weaker housing demand and a subsequent decline in house prices.	23%
Severe Downside	In the Severe Downside scenario, the global economy enters a deep recession driven by an escalating trade war, further deterioration of the conflict in Ukraine, and rising geopolitical tensions between the U.S. and China. In response to the sharp contraction, the Bank of England cuts interest rates close to zero. Fixed investment stalls as firms face significantly higher costs and a pronounced drop in demand. A collapse in global commodity prices results in a rapid and substantial fall in inflation. In the housing market, tighter lending standards and higher loan-to-value ratios trigger a downward spiral in house prices.	7%

As at 31 st December 2024		Weighting
Base	The Base economic scenario assumes that the growth will be below potential for some time. Inflation declines but does not fall below the target until the end of 2024. Bank of England rates will not rise and will start to fall in mid-2024. Neither the invasion of Ukraine nor Israel's war against Hamas escalate beyond the regions.	40%
Upside	The Upside scenario assumes that the Russia's invasion of Ukraine is resolved much faster than the baseline case. Growth is stronger than the baseline with a reduction in unemployment rate. Inflation remains weaker than the baseline as the increase in demand is met by an increase in supply. The terminal rate of the Bank of England interest rate is higher than in the baseline, taking longer to converge to the long-run interest rate.	30%
Downside	In the Downside scenario, there are worries that the conflicts in the Middle East and Ukraine will escalate further. The Bank of England cuts rates sooner than the baseline with interest rates above the neutral level but above zero. There is a moderate recession, and inflation drops below zero before increasing but remains below target for some time. House prices reduce by 23% peak to trough.	23%
Severe Downside	In the Severe Downside scenario, there are worries that the conflicts in the Middle East and Ukraine will escalate further. The Bank of England cuts rates sooner than the baseline with interest rates becoming close to zero. The economy is in a severe recession with a strong and immediate decline in inflation with inflation remaining below target for a prolonged period. House prices reduce by 31% peak to trough.	7%

15. Provision for impairment losses on loans and advances to members (continued)

Post model adjustment (continued)

Forward-looking information incorporated in the ECL models (continued)

The summary below outlines the most significant forward-looking assumptions under IFRS 9, over the five year planning period across the optimistic, base and pessimistic scenarios:

		2026	2027	2028	2029	2030
As at 31st December 2025		%	%	%	%	%
Unemployment rate	Upside	4.5	4.1	4.1	4.3	4.5
	Base	5.1	5.0	4.9	4.9	4.9
	Downside	7.0	7.7	7.6	7.1	6.4
	Severe Downside	8.2	8.8	8.5	8.2	7.5
House price index	Upside	16.5	5.4	(1.0)	(2.1)	0.1
	Base	2.1	2.3	1.6	1.9	2.5
	Downside	(9.1)	(7.0)	(0.8)	4.7	5.8
	Severe Downside	(15.3)	(11.0)	1.2	3.4	5.0
Bank of England interest rate	Upside	3.5	3.2	2.9	2.5	2.5
	Base	3.3	2.8	2.8	2.5	2.5
	Downside	1.9	1.0	1.3	1.6	2.0
	Severe Downside	1.4	0.7	0.7	0.8	1.0

		2025	2026	2027	2028	2029
As at 31st December 2024		%	%	%	%	%
Unemployment rate	Upside	3.6	3.7	3.8	4.1	4.4
	Base	4.4	4.5	4.6	4.7	4.8
	Downside	6.2	7.2	7.3	6.9	6.3
	Severe Downside	7.4	8.3	8.2	8.0	7.3
House price index	Upside	17.0	7.0	0.1	(2.6)	(0.3)
	Base	2.2	3.9	2.6	1.5	2.1
	Downside	(8.7)	(5.6)	1.9	4.2	5.4
	Severe Downside	(14.9)	(9.6)	2.3	2.9	4.6
Bank of England interest rate	Upside	4.0	2.7	2.6	2.5	2.5
	Base	4.1	2.8	2.5	2.5	2.5
	Downside	2.5	0.9	1.4	1.7	2.0
	Severe Downside	1.9	0.5	0.8	0.9	1.0

A significant degree of estimation relates to the relative weightings of the economic scenarios. In order to demonstrate this sensitivity, the impact of applying 100% of a particular scenario on the 31st December 2025 reported ECL position output is shown below:

	ECL provision	(Decrease) / increase	(Decrease) / increase
31st December 2025	£m	£m	%
IFRS 9 weighted average	4.5	-	-
Base	3.6	(0.9)	(21.1)
Downside	7.4	2.9	61.0
Severe Downside	10.7	6.2	134.2
Upside	2.2	(2.3)	(51.6)
31st December 2024	£m	£m	%
IFRS 9 weighted average	5.2	-	-
Base	4.1	(1.1)	(21.0)
Downside	8.5	3.2	61.4
Severe Downside	12.4	7.2	136.4
Upside	2.6	(2.6)	(50.6)

16. Amounts due from subsidiary undertakings

	2025 Amount due	2024 Amount due
Society	£m	£m
As at 1 st January	33.4	33.4
Further advances	45.4	-
Interest accrued	1.5	-
Less: payments	(2.9)	-
	77.4	33.4

The Society has the following active undertakings, which operate and have registered offices in the UK and are included in the Group's accounts:

Name of subsidiary undertaking	Principal business activity	Registration number	Ownership interest
Arrow Mortgage Finance No. 1 Ltd	Funding vehicle	09891174	See below
Lace Funding Holdings Limited	Intermediate holding company	15912339	See below
Lace Funding 2025-1 PLC	Funding vehicle	15912219	See below

The registered office of Arrow Mortgage Finance No. 1 Limited is 1 Bartholomew Lane, London, EC2N 2AX.

The registered office of Lace Funding Holdings Limited and Lace Funding 2025-1 PLC is Floor 5, Churchill Place, London, E14 5HU.

All subsidiaries are incorporated in England and Wales.

Arrow Mortgage Finance No. 1 Limited and Lace Funding 2025-1 PLC have been formed with nominal share capital, are funded through loans from the Society and activities are carried out under the direction of the Society, under the legal terms of operation. The Society is exposed to variable returns from these entities and therefore pass the test of control under IFRS 10. Consequently, they are fully consolidated into the Group's Accounts.

In February 2025, Lace Funding 2025-1 PLC raised £350m of funding in the Group's debut public RMBS issuance. The amounts from Arrow Mortgage Finance No.1 Ltd have a contractual maturity of 12 months. The amounts from Lace Funding 2025-1 PLC are due to mature in November 2074, noting that repayment is likely to be earlier than the contractual maturity date. The amounts due from both Arrow and Lace are classed as Stage 1 for ECL calculation purposes under IFRS 9 and the ECL arising is immaterial to the Financial Statements.

17. Property, plant and equipment

	2025 Land and buildings	2025 Leasehold improvements	2025 Equipment, fixtures, fittings	2025 Total	2024 Land and buildings	2024 Leasehold improvements	2024 Equipment, fixtures, fittings	2024 Total
Group and Society	£m	£m	£m	£m	£m		£m	£m
Cost								
As at 1 st January	7.4	0.4	7.9	15.7	7.6	2.1	10.4	20.1
Revaluation	0.6	-	-	0.6	-	-	-	-
Additions	-	0.2	1.6	1.8	-	-	0.7	0.7
Disposals	(0.2)	(0.2)	(1.3)	(1.7)	(0.2)	(1.7)	(3.2)	(5.1)
As at 31st December	7.8	0.4	8.2	16.4	7.4	0.4	7.9	15.7
Depreciation								
As at 1 st January	2.2	0.3	5.2	7.7	2.2	1.9	7.5	11.6
Revaluation	(2.2)	-	-	(2.2)	-	-	-	-
Charge for the year	-	-	0.9	0.9	-	0.1	1.0	1.1
On disposals	-	(0.1)	(1.3)	(1.4)	-	(1.7)	(3.3)	(5.0)
As at 31st December	-	0.2	4.8	5.0	2.2	0.3	5.2	7.7
Net Book Value at 31st December	7.8	0.2	3.4	11.4	5.2	0.1	2.7	8.0

During the year, NBS changed its accounting policy for freehold land and buildings from the Cost model to the Revaluation model. The carrying amount had the Cost model been applied to land and buildings amounts to £5.1m.

The Society has also undertaken an exercise during the year to identify obsolete assets and recognised these as a disposal from the fixed asset register. The carrying value of the disposed assets amounted to £0.3m (2024: £0.1m).

For land and buildings held under the Revaluation model, valuations are carried out by independent, professionally qualified valuers using methodologies based on market evidence of recent transactions for similar properties. Valuations are performed every three years on a prudent vacant possession basis, with the latest valuation completed on 31st July 2025.

18. Leases

The Statement of Financial Position shows the following amounts relating to leases:

	2025	2025	2025	2025	2024	2024	2024	2024
	Property	Equipment	Motor vehicles	Total	Property	Equipment	Motor vehicles	Total
Group and Society Right of use assets	£m	£m	£m	£m	£m	£m	£m	£m
Cost								
As at 1 st January	4.3	0.2	0.3	4.8	3.7	0.2	0.3	4.2
Additions	0.2	-	-	0.2	1.0	-	-	1.0
Disposals	-	(0.2)	(0.2)	(0.4)	(0.4)	-	-	(0.4)
As at 31st December	4.5	-	0.1	4.6	4.3	0.2	0.3	4.8
Depreciation								
As at 1 st January	2.3	0.2	0.3	2.8	2.5	0.2	0.3	3.0
Charge for the year and Impairment	0.3	-	-	0.3	0.3	-	-	0.3
Charge on disposals	-	(0.2)	(0.2)	(0.4)	(0.5)	-	-	(0.5)
As at 31st December	2.6	-	0.1	2.7	2.3	0.2	0.3	2.8
Net Book Value as at 31st December	1.9	-	-	1.9	2.0	-	-	2.0

	2025	2024
Group and Society - Lease Liabilities	£m	£m
Current	0.4	0.3
Non-current	1.8	2.1
	2.2	2.4

The Income Statement shows the following amounts relating to leases:

	Notes	2025	2024
Group and Society		£m	£m
Depreciation charge for assets		0.3	0.3
Interest expense (included in interest payable and similar charges)	4	0.1	0.1
Expense relating to short-term leases (included in administrative expenses)	6	0.2	0.2

The total cash outflow for leases in 2025 was £0.5m (2024: £0.4m) for the Group, of which £0.4m (2024: £0.4m) related to the Society.

19. Intangible assets

	2025	2024
	Software	Software
	Total	Total
Group and Society	£m	£m
Cost		
As at 1 st January	30.8	29.2
Additions	5.8	6.5
Disposals	(0.6)	(4.9)
As at 31st December	36.0	30.8
Amortisation		
As at 1 st January	22.0	23.2
Disposals	(0.6)	(4.9)
Charge for the year	3.4	3.7
As at 31st December	24.8	22.0
Net Book Value		
As at 31st December	11.2	8.8

The Society has undertaken an exercise during the year to identify obsolete assets and recognised these as a disposal from the fixed asset register. The carrying value of the disposed assets amounted to £nil.

£2.8m (2024: £4.5m) of research expenditure relating to intangible projects was expensed during the year, as the activities did not meet the development-phase recognition criteria set out in IAS 38 and therefore did not qualify for capitalisation; accordingly, the costs were recognised in profit or loss as incurred.

20. Deferred tax

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
At 1 st January	0.4	1.1	0.4	1.1
Recognised in the Income Statement	0.2	(0.4)	0.2	(0.4)
Recognised directly in Other Comprehensive Income	(0.1)	(0.3)	(0.1)	(0.3)
At 31st December	0.5	0.4	0.5	0.4

The deferred tax (credit) / charge in the Income Statement comprises the following temporary differences:

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
Property plant and equipment	-	0.2	-	0.2
IFRS transitional adjustments	-	(0.1)	-	(0.1)
Other timing differences	(0.2)	(0.2)	(0.2)	(0.2)
Tax losses	-	0.5	-	0.5
	(0.2)	0.4	(0.2)	0.4

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
Origination and reversal of temporary differences	(0.1)	0.4	(0.1)	0.4
Adjustment in respect to prior periods	(0.1)	-	(0.1)	-
	(0.2)	0.4	(0.2)	0.4

Deferred income tax assets and liabilities as at 31st December are attributable to the following items:

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
Deferred tax assets				
Property, plant and equipment	0.1	0.1	0.1	0.1
Other timing differences	0.5	0.4	0.5	0.4
	0.6	0.5	0.6	0.5
Deferred tax liabilities				
Property, plant and equipment	(0.1)	-	(0.1)	-
IFRS transitional adjustments	-	(0.1)	-	(0.1)
	(0.1)	(0.1)	(0.1)	(0.1)
Net deferred tax asset	0.5	0.4	0.5	0.4

Deferred tax assets and liabilities have been offset as there is a legally enforceable right to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and the authority permits the Society to make a single net payment.

21. Shares

	2025	2024
Group	£m	£m
Held by individuals	4,626.0	4,350.2
Fair value adjustment for hedged risk	5.2	0.3
	4,631.2	4,350.5

22. Amounts owed to credit institutions

	2025	2024
Group and Society	£m	£m
Amounts owed to credit institutions	0.1	327.1
	0.1	327.1

23. Amounts owed to other members

	2025	2024
Group and Society	£m	£m
Demand accounts		
Retail members	0.5	0.5
Other	0.2	0.2
	0.7	0.7
Term deposits		
Local authorities and universities	55.8	44.7
	55.8	44.7
	56.5	45.4

24. Amounts owed to subsidiary undertakings

	2025	2024
Society	£m	£m
At 1 st January	208.2	266.9
Advance	395.4	-
Repayment	(145.9)	(58.7)
At 31st December	457.7	208.2

24. Amounts owed to subsidiary undertakings (continued)

The amounts owed to subsidiary undertakings represent deemed loans with Arrow Mortgage Finance No.1 Ltd and Lace Funding 2025-1 PLC as part of secured funding balances. The repayment of the loans will follow the collection of the principal and interest of the underlying mortgage assets. The Arrow facility is due to mature in December 2026 and Lace is due to mature in November 2024, noting that repayment of the Lace Notes is likely to be earlier than the contractual maturity date.

25. Debt securities in issue

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
Senior secured debt	408.9	184.7	-	-
	408.9	184.7	-	-

The underlying securities for the senior secured debt are certain loans and advances to members (see Note 14 for further detail). The Arrow facility is due to mature in December 2026 and Lace is due to mature in November 2024, noting that repayment of the Lace Notes is likely to be earlier than the contractual maturity date.

26. Other liabilities and accruals

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
Trade creditors	0.8	0.7	0.8	0.7
Accruals and deferred income	7.0	8.6	6.9	7.1
Employment taxes	1.0	0.8	1.0	0.8
Other creditors	2.1	3.1	2.1	3.1
	10.9	13.2	10.8	11.7

27. Provisions for liabilities

Philips Trust Corporation

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
At 1 st January	2.0	-	2.0	-
Anticipated costs associated with voluntary payments	(0.4)	11.2	(0.4)	11.2
Utilised in period	(1.5)	(9.2)	(1.5)	(9.2)
At 31st December	0.1	2.0	0.1	2.0

The announcement made by the Society in May 2024 created a constructive obligation to make voluntary payments relating to Philips Trust Corporation ('PTC'). A provision was established to reflect the best estimate of the liability based on information supplied by the administrator of PTC. The administrator wrote to those impacted to outline the level of support available and as the Society anticipated all payments will be made within 12-months, no discounting was applied. The Society has recovered £0.1m of funds in 2025 (2024: £1.0m) through the administration process to date. As both the amount and timing of any further recoveries is uncertain, no allowance has been made for any additional recoveries.

Restructuring

	Group 2025	Group 2024	Society 2025	Society 2024
	£m	£m	£m	£m
At 1 st January	-	-	-	-
Anticipated costs	2.5	1.2	2.6	1.2
Utilised in period	(1.5)	(1.2)	(1.6)	(1.2)
At 31st December	1.0	-	1.0	-

Anticipated restructuring expenditure of £2.5 million was recognised during the year in relation to planned organisational changes. These costs primarily relate to staff-related measures and other directly attributable expenditure necessary to implement the restructuring. During the year, £1.5 million of the provision was utilised as actions under the restructuring plan were carried out. This resulted in a closing provision of £1.0 million at 31st December 2025 for both the Group and the Society. No restructuring provision was held in the prior year.

Sensitivity

At 31st December 2025, there was relative certainty over the payments to be made in 2026 associated with PTC and restructuring. As such, the provision is not considered to be particularly sensitive.

FSCS levy

Following the settlement of the loans outstanding from the 2008 - 09 banking failures, there are no further liabilities outstanding. Ongoing costs of the FSCS scheme are recognised in administrative expenses.

Contingent liabilities

As a deposit taker, the Society continues to have obligations to the FSCS, as well as other contractual obligations to third party suppliers, which may create a financial obligation in future accounting periods. Please see Note 28 to understand the Society's latest position in relation to the adverse High Court ruling made against Virgin Media.

28. Retirement benefit obligations

a) Defined benefit obligations

The Group operates a contributory defined benefit scheme, the assets of which are held in a separate trustee administered fund. The scheme closed to new members in 1997 and was closed for future service accrual from 31st January 2009.

The pension cost is assessed following the advice of a qualified independent actuary using the projected unit method. The latest funding review of the scheme was as at 31st March 2023. This review showed that the market value of the scheme assets as at 31st March 2023 was £44.1 million and that the actuarial value of those assets represented 106% of the benefits that had accrued to members after allowing for expected future increase in salaries.

The High Court issued a ruling in respect of Virgin Media vs. NTL Pension Trustees II Limited in relation to the validity of rule amendments made to defined benefit pension schemes contracted-out on a Reference Scheme Test basis between 6th April 1997 and 5th April 2016. Pension scheme amendments during this period required confirmation from the Scheme's Actuary that the Reference Scheme Test would continue to be met and in the absence of such a confirmation, the amendments would be considered void. In June 2025, the Department for Work and Pensions announced that legislation will be introduced to enable scheme actuaries to provide retrospective Section 37 confirmations in relation to historic benefit changes. This is intended to address the uncertainty created by the High Court ruling and mitigate the potential impact on affected schemes. No allowance has been made to account for the impact of this ruling or the proposed legislative changes.

An updated actuarial valuation at 31st December 2025 was carried out on a market value basis by a qualified independent actuary, as follows:

Group and Society	2025 £m	2024 £m
The principal actuarial assumptions used were as follows:		
Discount rate	5.40%	5.35%
Rate of increase in salaries	2.95%	3.35%
Rate of increase in pensions	3.65%	3.75%
Inflation	2.95%	3.35%
Post-retirement mortality	S3PMA_L (Male) / S3PFA (Female) base table with CMI_2024 improvement model	S3PMA_L (Male) / S3PFA (Female) base table with CMI_2023 improvement model

The assumptions applied follow the requirements of IAS 19, which are different to the technical valuation approach. This requires the discount rate to be benchmarked against AA corporate rated bonds, which as at 31st December 2025 were higher (2024: higher) than the anticipated rate of future inflation.

The table below shows the assumptions used for expected life at 31st December based on an expected normal retirement age of 62.

Group and Society	2025 Male Years	2025 Female Years	2024 Male Years	2024 Female Years
Expected life at retirement for a new pensioner	26.6	27.9	26.3	27.7
Expected life at retirement in 20 years' time	25.6	26.7	25.3	26.6

The Society is exposed to the risk that it will need to make additional future contributions to the Scheme, this risk may arise from a number of factors including:

- falls in the discount rate increasing the present value of scheme liabilities;
- higher inflation increasing the present value of scheme liabilities;
- increase in life expectancy increasing the present value of scheme liabilities; and
- reduction in equity / bond prices reducing the fair value of scheme assets.

Approximate sensitivities of the principal assumptions are set out in the table below which shows the increase or reduction in the pension obligations that would result.

Group and Society	Change in assumption	2025 £m	2024 £m
Principal actuarial assumption			
Discount rate	-0.25%	(1.0)	(1.0)
Rate of increase in salaries	-0.25%	-	-
Rate of increase in pensions	-0.25%	0.5	0.2
Mortality age adjustment	+0.25%	(0.2)	0.2
Inflation	-0.25%	0.5	0.2

Sensitivities have been derived by re-running the balance sheet liability calculation with an isolated change to the assumption being analysed. For the inflation assumption, the calculation includes the associated impact on salary increases, deferred revaluation and pension increases in payment.

The Scheme operates a Liability Driven Investment ("LDI") strategy designed to hedge the interest rate and inflation risks associated with the funded liabilities. This approach seeks to ensure that changes in market expectations for interest rates and inflation have a broadly corresponding effect on the value of the Scheme's LDI assets. Hedging is assessed using the 'technical provisions' basis at each triennial valuation.

28. Retirement benefit obligations (continued)

a) Defined benefit obligations (continued)

	2025	2024
Group and Society	£m	£m
Fair value of scheme assets:		
As at 1 st January	42.9	45.8
Interest on pension scheme assets	2.2	2.0
Contributions by employer	0.2	0.6
Benefits paid	(2.6)	(2.5)
Expenses paid	(0.2)	(0.2)
Gains / (losses) on assets	0.3	(2.8)
As at 31st December	42.8	42.9
Present value of defined benefit obligations:		
As at 1 st January	(36.8)	(42.9)
Interest on pension scheme liabilities	(1.9)	(1.9)
Benefits paid	2.6	2.5
Experience loss on liabilities	(0.4)	1.5
Gain on changes in demographic assumptions	(0.3)	0.5
Gains on changes in financial assumptions	0.9	3.5
As at 31st December	(35.9)	(36.8)
Surplus in scheme at 31st December	6.9	6.1
Impact of asset ceiling	(6.9)	(6.1)
Liability in the Statement of Financial Position as at 31st December	-	-

In recognising the net surplus or deficit of the pension scheme, the funded status of the scheme is adjusted to reflect the funding requirement agreed by the sponsor alongside the rights of any return of surplus, with the recognition of an asset ceiling liability. The actual return on plan assets was a £2.5m gain (2024: £0.8m Loss).

The major categories of plan assets are as follows:

	2025	2024
Group and Society	£m	£m
Investments quoted in active markets		
Multi asset growth	9.1	9.0
Asset backed securities	15.0	15.6
Cash and cash equivalents	3.7	3.3
Unquoted investments		
Liability driven investments	14.2	14.1
Secured pensioners	0.9	0.9
Fair value of scheme assets	42.9	42.9

	2025	2024
Group and Society	£m	£m
Amounts recognised in finance cost in Income Statement:		
Interest cost on pension scheme liabilities	(1.9)	(1.9)
Interest income on pension scheme assets	2.2	2.0
Interest on asset ceiling	(0.3)	(0.1)
	-	-

The movement in the liability recognised in the Statement of Financial Position is as follows:

	2025	2024
Group and Society	£m	£m
Opening defined benefit obligation at 1 st January	-	(1.3)
Amount recognised in Income Statement	(0.2)	(0.2)
Employer contributions	0.2	0.6
Remeasurement gains	-	0.9
Closing defined benefit obligation as at 31st December	-	-

28. Retirement benefit obligations (continued)

a) Defined benefit obligations (continued)

The amount recognised in the Statement of Other Comprehensive Income for remeasurement gains and losses is as follows:

	2025	2024
Group and Society	£m	£m
Actual return less expected return on plan assets	0.3	(2.8)
Experience loss arising on scheme liabilities	(0.4)	1.4
Changes in financial assumptions underlying the present value of the scheme liabilities	0.9	3.5
Changes in demographic assumptions underlying the present value of the scheme liabilities	(0.3)	0.5
Change in impact of asset ceiling	(0.5)	(1.7)
Remeasurement of defined benefit obligation	-	0.9

The average duration of the defined benefit obligation as at 31st December 2025 is 11 years (2024: 11 years). This number can be analysed as follows:

	2025	2024
Group and Society	Years	Years
Active members	15	15
Deferred members	16	16
Retired members	9	9

The scheme is subject to the funding legislation outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, sets out the framework for funding defined benefit occupational pension schemes in the UK. During the year, the Group made contributions of £nil (2024: £0.5 million) as part of its funding plan.

b) Defined contribution obligations

The Group also operates contributory defined contribution schemes. The assets of these schemes are held separately from those of the Group. The pension charge for the year represents contributions payable by the Group and Society to the schemes and amounted to £1.6m (2024: £1.1m). There were no outstanding or prepaid contributions at either the beginning or end of the year.

29. Subscribed capital

	2025	2024
Group and Society	£m	£m
7.875% sterling permanent interest-bearing shares	23.9	23.9
Fair value adjustment for hedged risk	0.1	0.1
	24.0	24.0

The subscribed capital was issued for an indeterminate period and is only repayable in the event of the winding up of the Society. PIBS holders do not have any right to a residual interest in the Society.

30. Fair value reserves

	FVOCI reserve 2025	FVOCI reserve 2024
Group and Society	£m	£m
At 1 st January	-	0.2
Fair value (losses) / gains on treasury assets	(1.9)	(0.5)
Amounts transferred to Income Statement on micro hedged relationships	1.9	0.3
At 31st December	-	-

31. Financial instruments

Classification & Measurement

A financial instrument is a contract that gives rise to a financial asset or financial liability. NBS is a retailer of financial instruments, mainly in the form of mortgages and savings products. The Group uses wholesale financial instruments to invest in liquid assets, raise wholesale funding and to manage the risks arising from its operations.

The Group has a formal structure for managing risk, including established risk limits, reporting lines, mandates, credit risk appetite and other control procedures. The Board Risk Committee ('BRC') is tasked with monitoring the Group's overall exposure to risk, supported by the Executive Risk Committee ('ERC') and ALCo. Four sub committees, the Retail Credit Committee ('RCC'), Operational Risk Committee ('ORC'), Legal, Regulatory Risk Committee ('LRC') and the Customer & Conduct Risk Committee ('CCRC') monitor the individual areas of risk and report to the BRC quarterly.

ALCo, monitors Statement of Financial Position risks (including the use of derivative financial instruments), funding and liquidity in line with the Group's prudent policy statements as well as wholesale credit risk. The RCC ensures that the management of credit risk is consistent with the credit risk appetite statement.

Key performance indicators are provided to the ERC and Board monthly by the ALCo and RCC.

Instruments used for risk management purposes include derivative financial instruments (derivatives), which are contracts where the value is derived from one or more underlying price, rate or index inherent in the contract or agreement, such as interest rates, exchange rates or stock market indices.

The objective of the Group in using derivatives is in accordance with the Building Societies Act 1986 and is to limit the extent to which the Group will be affected by changes in interest rates. Derivatives are not used in trading activity or for speculative purposes.

The derivative instruments used by the Group in managing its Statement of Financial Position risk exposures are interest rate swaps. These are used to protect the Group from exposures arising principally from fixed rate mortgage lending, fixed rate savings products and fixed rate wholesale funding. An interest rate swap is a contract to exchange one set of interest rate cash flows for another. Such swaps result in the economic exchange of interest rates. No exchange of principal takes place. Instead, interest payments are based on notional principal amounts agreed at inception of the swap. The duration of the interest rate swap is generally short to medium-term and their maturity profile reflects the nature of the exposures arising from the underlying business activities.

The Group applies portfolio fair value hedging techniques to reduce its exposure to interest rate risk as follows:

Hedged item	Risk	Fair value interest rate hedge
Fixed rate mortgage	• Increase in interest rates	• Group pays fixed, receives variable
Fixed rate treasury asset	• Increase in interest rates	• Group pays fixed, receives variable
Fixed rate savings bond	• Decrease in interest rates	• Group receives fixed, pays variable
Fixed rate funding	• Decrease in interest rates	• Group receives fixed, pays variable

The fair values of these hedges as at 31st December 2025 are shown in Note 13.

31. Financial instruments (continued)

Classification & Measurement (continued)

Below are the summary terms and conditions and accounting policies of financial instruments held by the Group.

Financial instrument	Terms and conditions	Accounting policy: IFRS 9
Loans and advances to credit institutions	<ul style="list-style-type: none"> Fixed or reference linked interest rate Fixed term Short to medium-term maturity 	<ul style="list-style-type: none"> Amortised cost Accounted for at settlement date
Debt securities	<ul style="list-style-type: none"> Fixed or reference linked interest rate Fixed term Short to medium-term maturity 	<ul style="list-style-type: none"> Fair value through other comprehensive income Accounted for at settlement date
Loans and advances to members	<ul style="list-style-type: none"> Secured on residential property or land Standard maximum contractual term of 25 years Fixed or variable rate interest 	<ul style="list-style-type: none"> Amortised cost Accounted for at settlement date
Equity investment	<ul style="list-style-type: none"> No fixed maturity Returns depend on investee performance 	<ul style="list-style-type: none"> Fair value through profit or loss Accounted for at settlement date
Shares	<ul style="list-style-type: none"> Variable term Fixed or variable interest rates 	<ul style="list-style-type: none"> Amortised cost Accounted for at settlement date
Amounts owed to credit institutions	<ul style="list-style-type: none"> Fixed or reference linked interest rate Fixed term Short to medium-term maturity 	<ul style="list-style-type: none"> Amortised cost Accounted for at settlement date
Amounts owed to other members	<ul style="list-style-type: none"> Fixed or reference linked interest rate Fixed term Short to medium-term maturity 	<ul style="list-style-type: none"> Amortised cost Accounted for at settlement date
Debt securities in issue	<ul style="list-style-type: none"> Fixed or reference linked interest rate Fixed term Short to medium-term maturity 	<ul style="list-style-type: none"> Amortised cost Accounted for at settlement date
Subscribed capital	<ul style="list-style-type: none"> Fixed interest rate Issued for indeterminate period Only repayable upon winding up of the Society 	<ul style="list-style-type: none"> Amortised cost Accounted for at settlement date
Derivative financial instruments	<ul style="list-style-type: none"> Fixed interest received / paid converted to variable interest paid / received Based on notional value of the derivative 	<ul style="list-style-type: none"> Fair value through profit and loss Accounted for at trade date

31. Financial instruments (continued)

Classification & Measurement (continued)

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost. Note 1: 'Accounting policies' describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The tables below analyse the Group's assets and liabilities by financial classification:

Carrying values by category	Held at amortised cost	Held at fair value			Total
	Financial assets and liabilities at amortised cost	Fair value through other comprehensive income	Fair value through Profit and Loss	Fair value through Profit and Loss - not in a hedge relationship	
Group As at 31 st December 2025	£m	£m	£m	£m	£m
Financial assets					
Cash in hand and balances with the Bank of England	297.0	-	-	-	297.0
Loans and advances to credit institutions	69.3	-	-	-	69.3
Debt securities	-	704.8	-	-	704.8
Derivative financial instruments	-	-	25.9	3.5	29.4
Loans and advances to members	4,305.0	-	-	-	4,305.0
Other assets	30.8	-	-	-	30.8
	4,702.1	704.8	25.9	3.5	5,436.3
Financial liabilities					
Shares	4,631.2	-	-	-	4,631.2
Amounts owed to credit institutions	0.1	-	-	-	0.1
Amounts owed to other members	56.5	-	-	-	56.5
Debt securities in issue	408.9	-	-	-	408.9
Derivative financial instruments	-	-	27.0	4.2	31.2
Subscribed capital	24.0	-	-	-	24.0
Other liabilities	17.7	-	-	-	17.7
	5,138.4	-	27.0	4.2	5,169.6

Carrying values by category	Held at amortised cost	Held at fair value			Total
	Financial assets and liabilities at amortised cost	Fair value through other comprehensive income	Fair value through Profit and Loss	Fair value through Profit and Loss - not in a hedge relationship	
Group As at 31 st December 2024	£m	£m	£m	£m	£m
Financial assets					
Cash in hand and balances with the Bank of England	441.2	-	-	-	441.2
Loans and advances to credit institutions	21.6	-	-	-	21.6
Debt securities	-	454.2	-	-	454.2
Derivative financial instruments	-	-	69.0	11.9	80.9
Loans and advances to members	4,201.8	-	-	-	4,201.8
Convertible loan notes	-	-	1.1	-	1.1
Other assets	25.9	-	-	-	25.9
	4,690.5	454.2	70.1	11.9	5,226.7
Financial liabilities					
Shares	4,350.5	-	-	-	4,350.5
Amounts owed to credit institutions	327.1	-	-	-	327.1
Amounts owed to other members	45.4	-	-	-	45.4
Debt securities in issue	184.7	-	-	-	184.7
Derivative financial instruments	-	-	11.0	11.9	22.9
Subscribed capital	24.0	-	-	-	24.0
Other liabilities	18.8	-	-	-	18.8
	4,950.5	-	11.0	11.9	4,973.4

31. Financial instruments (continued)

Fair values of financial assets and liabilities carried at amortised cost

The table below analyses the book and fair values of the Group's financial instruments held at amortised cost at 31st December:

Group	Notes	2025	2025	2024	2024
		Book value	Fair value	Book value	Fair value
		£m	£m	£m	£m
Financial assets					
Cash in hand and balances with the Bank of England	a	297.0	297.0	441.2	441.2
Loans and advances to credit institutions	b	69.3	69.3	21.6	21.6
Loans and advances to customers	c	4,305.0	4,360.8	4,201.8	4,229.8
Financial liabilities					
Shares	d	4,631.2	4,623.4	4,350.5	4,347.7
Amounts owed to credit institutions	d	0.1	0.1	327.1	327.1
Amounts owed to other members	d	56.5	56.5	45.4	45.5
Debt securities in issue	e	409.0	409.0	184.7	184.7
Subscribed capital	f	24.0	29.6	24.0	26.1

Fair value is 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. The estimated fair value of the financial assets and liabilities above has been calculated using the following valuation methodology:

a) Cash in hand

The fair value of cash in hand and deposits is its carrying amount repayable on demand.

b) Loans and advances to credit institutions – Level 2

The fair value of overnight deposits is the amount repayable on demand.

The estimated fair value of collateral loans and advances to credit institutions is derived using valuation techniques that use observable market inputs.

c) Loans and advances to members – Level 3

Loans and advances are recorded net of provisions for impairment together with the fair value adjustment for hedged items. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows

expected to be received taking account of expected prepayment rates. Estimated cash flows are discounted at prevailing market rates for items of similar remaining maturity. The fair values have been adjusted where necessary to reflect any observable market conditions at the time of valuation.

d) Shares, deposits and borrowings – Level 3

The fair value of shares and deposits and other borrowings with no stated maturity is the amount repayable on demand.

The fair value of fixed interest bearing deposits and other borrowings without a quoted market price is based on expected future cash flows determined by the contractual terms and conditions discounted at prevailing market rates for items of similar remaining maturity.

e) Debt securities in issue – Level 2

The fair value is calculated using a discounted cash flow model. Expected cash flows are discounted at prevailing market rates for items of similar remaining maturity.

f) Subscribed capital – Level 1

The estimated fair value of fixed interest bearing debt is based on its active market price as at the period end.

Fair values of financial assets and liabilities carried at fair value

The table below summarises the fair values of the Group's financial assets and liabilities that are accounted for at fair value, analysed by the valuation methodology used by the Group to derive the financial instruments fair value:

Group	Notes	2025	2025	2025	2025	2024	2024	2024	2024
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		£m	£m	£m	£m	£m	£m	£m	£m
Financial assets									
FVOCI – Debt securities	12	704.8	-	-	704.8	454.2	-	-	454.2
Equity investments		-	-	-	-	-	-	-	-
Convertible loan notes		-	-	-	-	-	-	1.1	1.1
Derivative financial instruments – interest rate swaps	13	-	29.4	-	29.4	-	80.9	-	80.9
		704.8	29.4	-	734.2	454.2	80.9	1.1	536.2
Financial liabilities									
Derivative financial instruments – interest rate swaps	13	-	(31.2)	-	(31.2)	-	(22.9)	-	(22.9)
		-	(31.2)	-	(31.2)	-	(22.9)	-	(22.9)

31. Financial instruments (continued)

Fair values of financial assets and liabilities carried at fair value (continued)

Valuation techniques

The following is a description of the determination of fair value for financial instruments, which are accounted for at fair value using valuation techniques.

The fair value hierarchy detailed in IFRS 13: 'Fair Value Measurement' splits the source of input when deriving fair values into three levels, as follows:

- **Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and
- **Level 3** – inputs for the asset or liability that are not based on observable market data.

The main valuation techniques employed by the Group to establish fair value of the financial instruments disclosed above are set out below:

Debt securities

- **Level 1** – Market prices have been used to determine the fair value of listed debt securities; and
- **Level 2** – Debt securities for which there is no readily available traded price are valued based on the 'present value' method. This requires expected future principal and interest cash flows to be discounted using prevailing yield curves. The yield curves are generally observable market data which is derived from quoted interest rates in similar time bandings, which match the timings of the cash flows and maturities of the instruments.

Equity investments

For unlisted equity investments where there is no observable market price, valuation is based on techniques such as discounted cash flow or comparable company multiples. These models use unobservable inputs like forecast earnings, discount rates, and growth assumptions.

Convertible loan notes

The fair value of convertible loan notes at inception is equal to the transaction

price. The subsequent valuation model takes account of the outstanding debt, conversion options and potential future equity value.

Interest rate swaps

The valuation of interest rate swaps is also based on the 'present value' method. Expected interest cash flows are discounted using the prevailing SONIA yield curves. The yield curves are generally observable market data which is derived from quoted interest rates in similar time bandings which match the timings of the interest cash flows and maturities of the instruments. All swaps are fully collateralised and therefore no adjustment is required for credit risk in the fair value of derivatives.

Transfers between fair value hierarchies

Transfers between fair value hierarchies 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. There have been no transfers during the current or previously reported periods.

Credit risk

Credit risk is the risk that the Group incurs a financial loss arising from the failure of a member or counterparty to meet their contractual obligations. The Group structures the level of credit risk it undertakes, by maintaining a credit governance framework involving delegated approval authority levels and credit procedures, the objective of which is to build and maintain risk asset portfolios of high quality.

The Group's maximum credit risk exposure is detailed in the table below:

	2025	2024
Group and Society	£m	£m
Credit risk exposure		
Cash in hand and balances with the Bank of England	297.0	441.2
Loans and advances to credit institutions	69.3	21.6
Debt securities	704.8	454.2
Derivative financial instruments	29.4	80.9
Loans and advances to customers	4,305.0	4,201.8
Convertible Loan Notes	-	1.1
Total Statement of Financial Position exposure	5,405.5	5,200.8
Off Balance Sheet exposure – mortgage commitments	233.2	453.1
	5,638.7	5,653.9

31. Financial instruments (continued)

Credit risk (continued)

a) Loans and advances to credit institutions, debt securities and derivative financial instruments

The ERC, supported by ALCo, is responsible for approving treasury counterparties for both derivatives and investment purposes, within the Board's risk appetite. Limits are placed on the amount of risk accepted in relation to one counterparty, or group of counterparties, and to industry sectors. This is monitored weekly by the Society's Treasury team and reviewed monthly by the ALCo.

The Group's policy only permits lending to central government (which includes the BoE), UK local authorities, banks with a high credit rating and building societies. The Group's Treasury team perform regular analysis of counterparty credit risk and monitoring of publicly available information to highlight possible indirect exposures.

An analysis of the Group's treasury asset concentration is shown in the table below:

Group	2025		2024	
	£m	%	£m	%
Industry sector				
Banks	287.2	26.8	206.9	22.5
Building societies	113.2	10.6	100.7	11.0
Multilateral Development Banks	131.3	12.2	59.4	6.5
Central Government	539.4	50.4	550.0	60.0
	1,071.1		917.0	

Group	2025		AAA		AA		A		2024	
	£m	%	%	%	%	%	£m	%		
Geographic region										
United Kingdom	920.9	62.2	-	-	37.8	-	857.6	-	-	-
United States of America	18.9	-	-	-	100.0	-	-	-	-	-
Multilateral Development banks	131.3	100.0	-	-	-	-	59.4	-	-	-
	1,071.1						917.0			

The Group has no exposure to foreign exchange risk. All instruments are denominated in sterling. The Group also has no direct exposure to any sovereign states, other than the UK.

The Group's derivative financial instruments are fully collateralised with a central clearing house in the UK and as a result there is no exposure to the Group.

All of the Group's treasury assets are classified as Stage 1 for ECL calculation purposes under IFRS 9 and there are no impairment charges against any of the Group's treasury assets as at 31st December 2025 (2024: £nil).

b) Loans and advances to members

All mortgage loan applications are assessed with reference to the Group's retail credit risk appetite statement and Lending policy, which includes assessing applicants for potential fraud risk, which is approved by the Board. When deciding on the overall risk appetite that the Group wishes to adopt, both numerical and non-numerical considerations are taken into account, along with data on the current UK economic climate, portfolio information derived from the Group's rating system and competitor activity. The statement must comply with all the prevailing regulatory policy and framework.

The lending portfolio is monitored by the RCC to ensure that it remains in line with the stated risk appetite of the Group, including adherence to the lending principles, policies and lending limits.

For new members, the first element of the Retail Credit Control Framework is achieved via credit scoring, which assesses the credit quality of potential members prior to making loan offers. The members' credit score combines demographic and financial information. A second element is lending policy rules, which are applied to new applications to ensure that they meet the risk appetite of the Group. All mortgage applications are overseen by the Lending Services team who ensure that any additional lending criteria are applied and that all information submitted within the application is validated.

For existing members who have been added to the lending portfolio, Management use behavioural scorecards to review the ongoing creditworthiness of members by determining the likelihood of them defaulting over a rolling 12-month period together with the amount of loss if they do default. The continual assessment of customer risk of default is used to assess the member's suitability for further lending as well as feed into strategic decision making processes, such as the corporate plan. Models used within the member rating process are monitored in line with industry best practice and to provide insight into changes observed within the mortgage portfolios.

31. Financial instruments (continued)

Credit risk (continued)

b) Loans and advances to members (continued)

Credit risk management information is comprehensive and is circulated to the RCC on a monthly basis to ensure that the portfolio remains within the Group's risk appetite.

It is the Group's policy to ensure good member outcomes and lend responsibly by ensuring at the outset that the member can meet the mortgage repayments. This is achieved by obtaining specific information from the member concerning income and expenditure but also external credit reference agency data.

The Group does not have any exposure to the sub-prime market.

The maximum credit risk exposure is disclosed in the table on page 119.

Loans and advances to members are predominantly made up of retail loans fully secured against UK residential property of £3,569.9 million (2024: £3,650.3 million), split between residential and BTL loans with the remaining £716.8 million (2024: £589.5 million) secured on secured business lending.

The Group operates throughout England and Wales with the portfolio well spread throughout the geographic regions. An analysis of the Group's geographical concentration is shown in the table below:

	2025	2024
Group and Society	%	%
Geographical analysis		
Eastern	11.1	10.7
East Midlands	10.5	11.7
London	17.3	15.4
North East	3.1	3.6
North West	10.2	10.4
South East	18.0	17.4
South West	9.6	9.6
Wales	3.4	3.4
West Midlands	8.5	8.7
Yorkshire & Humberside	8.3	9.0
Other	-	0.1
	100.0	100.0

Retail loans (loans fully secured on residential properties)

Loans fully secured on residential property are split between residential and traditional BTL. The average LTV is the mean LTV for the portfolio. Each individual LTV is calculated by comparing the value of the mortgage loan to the value of collateral held adjusted by a house price index. The simple average LTV of residential mortgages is 53.0% (2024: 52.4%).

The indexed LTV analysis on the Group's residential mortgage portfolio is shown below:

	2025 Residential	2025 Buy-to-let	2024 Residential	2024 Buy-to-let
Group and Society	%	%	%	%
Loan to Value analysis				
< 60%	39.2	65.4	40.0	68.9
60% - 80%	35.3	34.5	35.8	31.1
80% - 90%	21.2	0.1	19.6	-
> 90%	4.3	-	4.6	-
	100.0	100.0	100.0	100.0
Average loan to value of loans	53.0	49.7	52.4	50.0
Average loan to value of new business	70.0	63.7	69.7	61.0

The quality of the Group's retail mortgage book is reflected in the number and value of accounts in arrears. By volume 0.35% (2024: 0.25%) of loans are three months or more in arrears and by value it is 0.33% (2024: 0.20%).

The main factor for loans moving into arrears tends to be the condition of the general economic environment. In general, the lower the loan-to-value percentage, the greater the equity within the property, and the lower the losses expected to be realised in the event of default or repossession.

31. Financial instruments (continued)

Credit risk (continued)

b) Loans and advances to members (continued)

Retail loans (loans fully secured on residential properties)(continued)

The table below shows the fair value of collateral held for residential mortgages.

	2025		2024	
	Indexed	Unindexed	Indexed	Unindexed
Group and Society	£m	£m	£m	£m
Value of collateral held:				
Stage 1: 12-month expected credit losses	6,602.2	5,764.9	6,485.1	5,596.4
Stage 2: Lifetime expected credit losses	442.4	375.1	776.1	606.8
Stage 3: Lifetime expected credit losses	56.5	45.6	45.0	32.3
	7,101.1	6,185.6	7,306.2	6,235.5

The collateral held consists of residential property. Collateral values are adjusted by the ONS Property Price Index to derive the indexed valuation at 31st December. This is the UK's longest running house price index and takes into account regional data from the 12 standard planning regions of the UK. The Group uses the index to update the property values of its residential and BTL portfolios on a quarterly basis.

With collateral capped to the amount of outstanding debt, the value of collateral held against loans in Stages 2 and 3 under IFRS 9 and which are in arrears, is £31.5 million as at 31st December 2025 (2024: £23.0 million).

The decrease in the collateral held in relation to loans classified in Stage 2 and the increase in the collateral held in relation loans classified in Stage 1 primarily reflects the movement of loans to between Stage 1 and 2 in the year.

Retail mortgages are fully secured against residential property. At origination, valuation of collateral is carried out in accordance with our lending policy using appropriate valuation methods This includes the use of automated valuation models (AVMs) developed using market data and applied subject to high levels of confidence. The valuations are subsequently indexed through the life of the product life.

The Loan-to-Value (LTV) is the primary driver of credit risk within the retail mortgage portfolio. Lower LTVs indicate high borrower equity and consequentially higher loss

absorption capacity leading to lower expected losses in the event of default and repossession.

The Group's residential mortgage exposures and provisions may be disaggregated by probability of default ranges as follows:

	2025		2024	
	Gross loans	Expected Credit Loss	Gross loans	Expected Credit Loss
Group and Society	£m	£m	£m	£m
PD %				
0% - 2.5%	5.8	-	3.2	-
2.5% - 5.0%	748.5	0.4	5.4	-
5.0% - 7.5%	2,444.4	1.1	2,140.3	1.3
7.5% - 10.0%	173.5	0.2	1,239.1	1.0
10% - 100%	197.7	0.9	262.3	0.8
	3,569.9	2.6	3,650.3	3.1

The movement in the exposures to lower PD bands in the year is reflective of an improved macroeconomic outlook at the end of 2025 compared to 2024.

The table below provides information on retail gross loans and ECL stages split by the number of days past due ('DPD'):

	2025		2024	
	Gross loans	Expected Credit Loss	Gross loans	Expected Credit Loss
Group and Society	£m	£m	£m	£m
Stage 1: 12-month expected credit losses				
< 30 days past due	3,301.0	1.6	3,279.7	2.3
Stage 2: Lifetime expected credit losses				
< 30 days past due	225.6	0.7	338.8	0.6
> 30 days past due	15.0	0.1	13.1	0.1
Stage 3: Lifetime expected credit losses				
< 90 days past due	16.5	0.1	11.6	0.1
> 90 days past due	11.8	0.1	7.1	-
	3,569.9	2.6	3,650.3	3.1

31. Financial instruments (continued)

Credit risk (continued)

b) Loans and advances to members (continued)

Forbearance

Temporary interest only concessions were historically offered to members in financial difficulty on a temporary basis with formal periodic review. The concession allowed the member to reduce monthly payments to cover interest only, and if made, the arrears status will not increase. Interest only concessions are no longer offered and have been replaced by reduced payment concessions.

Reduced payment concessions allow a member to make an agreed underpayment for a specific period of time. The monthly underpaid amount accrues as arrears and agreement is reached at the end of the concession period on how the arrears will be repaid.

Payment plans are agreed to enable members to reduce their arrears balances by an agreed amount per month, which is paid in addition to their standard monthly repayment.

Capitalisations occur where arrears are added to the capital balance outstanding for the purposes of restructuring the loan.

The term of the mortgage is extended in order to reduce payments to a level that is affordable to the member based on their current financial circumstances.

All forbearance arrangements are formally discussed with the member and reviewed by management prior to acceptance of the forbearance arrangement. By offering members in financial difficulty the option of forbearance, the Society potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment and / or potentially placing the member into a detrimental position at the end of the forbearance period.

Regular monitoring of the level and different types of forbearance activity are reported to the RCC on a monthly basis and the CCRC monitors the level of arrears and forbearance cases. In addition, all forbearance arrangements are reviewed and discussed with the member on a regular basis to assess the ongoing potential risk to the Society and suitability of the arrangement for the member.

The table below details the number of forbearance cases within the retail loans category:

	2025	2024
Group and Society	Number	Number
Type of Forbearance		
Interest only concessions	-	-
Reduced payment concessions	2	1
Payment plans	36	13
Capitalisations	30	32
Mortgage term extensions	31	28
Less: cases with more than one form of forbearance	(28)	(26)
	71	48

These cases are covered by an IFRS 9 ECL allowance of £33,997 (2024: £19,644). In total, £9.5 million (2024: £3.7 million) of loans are subject to forbearance and these loans are secured against property with an indexed valuation of £23.1 million (2024: £11.6 million).

Secured Business Loans

SBL loans are primarily made available to Small and Medium sized enterprises for either owner occupied or investment property purposes and includes limited company BTL loans. Loans are also only granted against the 'bricks and mortar' valuation of the property and not against working capital or machinery etc.

The make-up of the SBL book as at 31st December is as follows:

	2025	2025	2024	2024
Group	£m	%	£m	%
Owner occupied	28.6	4.0	33.8	5.7
Investment property	688.2	96.0	555.7	94.3
	716.8	100.0	589.5	100.0

31. Financial instruments (continued)

Credit risk (continued)

b) Loans and advances to members (continued)

Secured Business Loans (continued)

The table below provides information on the original LTV of the Group's SBL mortgage portfolio:

	2025	2024
Group and Society	%	%
Loan to Value analysis		
< 60%	17.6	20.3
60% - 80%	79.9	78.6
80% - 90%	2.3	0.8
> 90%	0.2	0.3
	100.0	100.0
Average loan to value of loans	61.3	50.9
Average loan to value of new business	70.9	68.1

The table below shows the fair value of collateral held for SBL loans:

	2025		2024	
	Indexed	Unindexed	Indexed	Unindexed
Group and Society	£m	£m	£m	£m
Value of collateral held:				
Stage 1: 12-month expected credit losses	1,142.4	1,084.2	948.4	902.9
Stage 2: Lifetime expected credit losses	54.8	53.5	51.1	49.3
Stage 3: Lifetime expected credit losses	13.4	12.3	17.0	16.7
	1,210.6	1,150.0	1,016.5	968.9

Collateral reflects the latest valuation completed. If a property has had a desktop valuation since the latest full valuation, the collateral reflects the desktop valuation. 12.0% of the SBL book has had a desktop valuation (2024: 15.6%).

With collateral capped to the amount of outstanding debt, the value of collateral held against loans in Stages 2 and 3 under IFRS 9 and which are in arrears, is £6.4 million as at 31st December 2025 (2024: £5.3 million).

The Group's SBL mortgage exposures and provisions may be disaggregated by probability of default ranges as follows:

	2025	2025	2024	2024
	Gross loans	Expected Credit Loss	Gross loans	Expected Credit Loss
Group and Society	£m	£m	£m	£m
PD %				
0% - 2.5%	0.1	-	0.3	-
2.5% - 5.0%	455.1	0.7	0.5	-
5.0% - 7.5%	169.6	0.3	459.5	1.0
7.5% - 10.0%	10.9	-	34.2	0.1
10% - 100%	81.1	0.9	95.0	1.0
	716.8	1.9	589.5	2.1

The movement in the exposures to lower PD bands in the year is reflective of an improved macroeconomic outlook at the end of 2025 compared to 2024.

The table below provides information on SBL gross loans and ECL stages split by the number of days past due ('DPD'):

	2025	2025	2024	2024
	Gross loans	Expected Credit Loss	Gross loans	Expected Credit Loss
Group and Society	£m	£m	£m	£m
Stage 1: 12-month expected credit losses				
< 30 days past due	676.5	1.2	550.0	1.4
Stage 2: Lifetime expected credit losses				
< 30 days past due	30.9	0.3	29.9	0.3
> 30 days past due	4.0	0.1	2.0	-
Stage 3: Lifetime expected credit losses				
< 90 days past due	4.0	0.2	5.7	0.2
> 90 days past due	1.4	0.1	1.9	0.2
	716.8	1.9	589.5	2.1

In terms of SBL risk, the single largest borrower represents less than 0.2% (2024: 0.2%) of the SBL mortgage book.

31. Financial instruments (continued)

Credit risk (continued)

b) Loans and advances to members (continued)

Secured Business Loans (continued)

Forbearance

The Group has various forbearance options to support members who may find themselves in financial difficulty. These include 'interest only' concessions, renegotiation of contractual payment, payment plans and capitalisations.

'Interest only' concessions are offered to members in financial difficulty on a temporary basis with formal periodic review. The concession allows the member to reduce monthly payments to cover interest only, and if made, the arrears status will not increase.

Renegotiation of contractual payments is provided to reduce the monthly payment to a level affordable by the member. The agreement remains within the Society's Lending policy, for example within the maximum mortgage term.

Payment plans are agreed to enable members to reduce their arrears balances by an agreed amount per month which is paid in addition to their standard monthly repayment.

Capitalisations occur where arrears are added to the capital balance outstanding for the purpose of restructuring the loan.

The table below shows those loans subject to forbearance within the SBL loans category:

Group and Society	2025	2024
	Number	Number
Type of Forbearance		
Interest only concessions	14	20
Active payment plan	5	5
Capitalisation	1	-
Mortgage term extensions	1	5
Less: cases with more than one form of forbearance	(1)	(2)
	20	28

These cases are covered by an IFRS 9 ECL allowance of £78,000 (2024: £149,000). In total, £2.7 million (2024: £4.5 million) of loans are subject to forbearance and these loans are secured against property with an indexed valuation of £7.2 million (2024: £11.0 million).

Liquidity risk

Liquidity risk is the risk that the Society will not have sufficient financial resources available to meet its obligations as they fall due, under either normal business conditions or a stressed environment. It is the Society's policy that a significant amount of its total assets are carried in the form of cash and other readily realisable assets in order to:

- i) meet day-to-day business needs;
- ii) meet any unexpected cash needs;
- iii) maintain public confidence; and
- iv) ensure maturity mismatches are provided for.

Monitoring of liquidity, in line with the Society's prudent policy framework, is performed daily. Compliance with these policies is reported to ALCo monthly and through to the ERC and BRC.

The Society's Liquidity policy is designed to ensure the Society has sufficient liquid resources to withstand a range of stressed scenarios. A series of liquidity stress tests have been developed as part of the Internal Liquidity Adequacy Assessment process ('ILAAP'). They include scenarios that fulfil the specific requirements of the PRA (the idiosyncratic, Market-wide and Combined stress tests) and scenarios identified by the Society which are specific to its business model. The stress tests are performed monthly and reported to ALCo to confirm that the liquidity policy remains appropriate.

The Society's liquid resources comprise high quality liquid assets, including a Bank of England reserves account, Gilts, time deposits and investment grade fixed and floating rate notes issued by highly rated financial institutions, supplemented by unencumbered mortgage assets. At the end of the year the ratio of liquid assets to shares and deposits was 21.0% compared to 18.7% at the end of 2024.

The Society maintains a contingency funding plan, as part of its RRP process, to ensure that it has so far as possible, sufficient liquid financial resources to meet liabilities as they fall due under each of the scenarios.

31. Financial instruments (continued)

Liquidity risk (continued)

The following table analyses the Group's assets and liabilities into relevant maturity groupings, based on the remaining period to contractual maturity at the Statement of Financial Position date. This is not representative of the Group's management of liquidity. Loans and advances to members rarely run their full course. The actual repayment profile is likely to be significantly different from that shown in the analysis. For example, most mortgages have a contractual maturity of around 25 years but are generally repaid much sooner. The average life of a mortgage at the Group, currently in product, is lower than the fixed rate term (2024: lower). Conversely, retail deposits repayable on demand generally remain on the Balance Sheet much longer.

	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
Group - Residual maturity as at 31st December 2025	£m	£m	£m	£m	£m	£m
Financial assets						
Liquid assets						
Cash in hand and balances with the Bank of England	297.0	-	-	-	-	297.0
Loans and advances to credit institutions	29.6	39.7	-	-	-	69.3
Debt securities	-	100.3	91.1	473.6	39.8	704.8
Total liquid assets	326.6	140.0	91.1	473.6	39.8	1,071.1
Derivative financial instruments	-	4.4	11.8	12.6	0.6	29.4
Loans and advances to members	50.7	47.4	238.6	1,136.6	2,831.7	4,305.0
Other assets	-	3.0	8.6	0.9	18.3	30.8
	377.3	194.8	350.1	1,623.7	2,890.4	5,436.3
Financial liabilities and reserves						
Shares	1,121.2	1,254.3	1,188.1	1,064.5	3.1	4,631.2
Amounts owed to credit institutions	0.1	-	-	-	-	0.1
Amounts owed to other members	0.7	40.2	15.6	-	-	56.5
Debt securities in issue	-	-	130.3	278.6	-	408.9
Derivative financial instruments	-	0.2	1.5	29.0	0.5	31.2
Subscribed capital	-	0.1	-	-	23.9	24.0
Reserves	-	-	-	-	266.7	266.7
Other liabilities	2.9	6.9	5.2	2.2	0.5	17.7
	1,124.9	1,301.7	1,340.7	1,374.3	294.7	5,436.3
Net liquidity gap	(747.6)	(1,106.9)	(990.6)	249.4	2,595.7	-

31. Financial instruments (continued)

Liquidity risk (continued)

	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
Group - Residual maturity as at 31st December 2024	£m	£m	£m	£m	£m	£m
Financial assets						
Liquid assets						
Cash in hand and balances with the Bank of England	441.2	-	-	-	-	441.2
Loans and advances to credit institutions	9.3	12.3	-	-	-	21.6
Debt securities	-	21.1	87.1	343.3	2.7	454.2
Total liquid assets	450.5	33.4	87.1	343.3	2.7	917.0
Derivative financial instruments	-	4.0	15.9	58.8	2.2	80.9
Loans and advances to members	3.1	82.7	177.6	1,002.3	2,936.1	4,201.8
Convertible loan notes	-	-	1.1	-	-	1.1
Other assets	-	4.2	4.6	0.8	16.3	25.9
	453.6	124.3	286.3	1,405.2	2,957.3	5,226.7
Financial liabilities and reserves						
Shares	1,086.8	672.4	1,498.0	1,093.1	0.2	4,350.5
Amounts owed to credit institutions	18.7	40.7	267.7	-	-	327.1
Amounts owed to other members	0.7	17.5	27.2	-	-	45.4
Debt securities in issue	-	-	-	184.7	-	184.7
Derivative financial instruments	-	0.7	0.9	21.2	0.1	22.9
Subscribed capital	-	0.1	-	-	23.9	24.0
Reserves	-	-	-	-	253.3	253.3
Other liabilities	2.6	9.7	3.8	2.3	0.4	18.8
	1,108.8	741.1	1,797.6	1,301.3	277.9	5,226.7
Net liquidity gap	(655.2)	(616.8)	(1,511.3)	103.9	2,679.4	-

There is no material difference between the maturity profile for the Group and that for the Society. As at 31st December 2025, £997.8 million (2024: £919.6 million) of the Group's assets were encumbered.

The following is an analysis of gross undiscounted contractual cash flows payable under financial liabilities:

	Repayable on demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
Group - 31st December 2025	£m	£m	£m	£m	£m	£m
Shares	1,316.5	1,253.7	1,186.1	1,061.9	3.1	4,821.3
Amounts owed to credit institutions	0.1	-	-	-	-	0.1
Amounts owed to other members	0.7	283.8	52.2	-	-	336.7
Debt securities in issue	-	20.8	172.0	216.2	-	409.0
Derivative financial instruments	0.3	13.8	19.2	(0.1)	-	33.2
Subscribed capital	-	0.5	1.5	7.9	23.9	33.8
Total liabilities	1,317.6	1,572.6	1,431.0	1,285.9	27.0	5,634.1

	Repayable on demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
Group - 31st December 2024	£m	£m	£m	£m	£m	£m
Shares	1,264.0	672.5	1,497.8	1,092.9	0.2	4,527.4
Amounts owed to credit institutions	17.9	43.0	273.5	-	-	334.4
Amounts owed to other members	0.8	18.3	29.3	-	-	48.4
Debt securities in issue	-	8.9	30.5	145.7	-	185.1
Derivative financial instruments	-	(0.1)	0.2	20.8	-	20.9
Subscribed capital	-	0.5	1.5	7.9	23.9	33.8
Total liabilities	1,282.7	743.1	1,832.8	1,267.3	24.1	5,150.0

The analysis of gross contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest accrued at current rates, for the average period until maturity on the amounts outstanding at the Statement of Financial Position date.

31. Financial instruments (continued)

Market and interest rate risk

Market risk is the risk of changes to the Society's financial condition caused by market interest rates. The Society is exposed to market risk in the form of changes (or potential changes) in the general level of interest rates and changes in the relationship between different types of interest rates (basis risk).

The Society aims to undertake the hedging of individual transactions within an overall strategy for structural hedging, based on a detailed analysis of the Statement of Financial Position.

The management of interest rate risk is based on a full Statement of Financial Position gap analysis. The Statement of Financial Position is subjected to a range of stress tests, including a 2% change (up and down) in interest rates on a weekly basis. The results are measured against the risk appetite for market risk. In addition, Management review interest rate basis risk and its potential impact on earnings. Risk positions are reviewed monthly by the ALCo and reported through to the ERC and BRC.

The table below summarises the Group's exposure to interest rate risk:

	2025	2024
Group and Society	£m	£m
Changes in market value economic value (including capital) from a 2% parallel upward shift in interest rates	(0.6)	(4.6)
Earnings impact from a 2% parallel downward shift in interest rates over the preceding 12-months	(4.1)	(6.1)

The key assumptions used in this modelling are as follows:

- for Economic Value measures, the Balance Sheet at the report date is run-off over its remaining expected duration;
- for Earnings measures, the metric uses the Society's latest forecast Balance Sheet;
- the effect of external hedging is included; and
- downward shocks allow the yield curve to go negative subject to a floor.

There is no material difference between the interest rate risk profile for the Group and that for the Society.

The Group is not exposed to foreign currency risk.

The Society does not have any financial assets or liabilities that are offset with the net amount presented in the Statement of Financial Position, as the applicable accounting standards require both an enforceable right to set off and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Neither of these conditions are met by the Society.

All financial assets and liabilities are presented on a gross basis in the Statement of Financial Position.

The Society centrally clears its derivative instruments, which requires it to enter into Credit Support Annexes ('CSAs') and which typically provide for the exchange of collateral on a daily basis to mitigate net mark to market credit exposure.

The following table shows the impact on derivative financial instruments and repurchase agreements after collateral:

	2025	2025	2025	2024	2024	2024
	Gross amounts	Financial collateral *	Net amounts	Gross amounts	Financial collateral *	Net amounts
Group	£m	£m	£m	£m	£m	£m
Financial assets						
Derivative financial instruments	29.4	(29.4)	-	80.9	(80.9)	-
Total financial assets	29.4	(29.4)	-	80.9	(80.9)	-
Financial liabilities						
Derivative financial instruments	31.2	(31.2)	-	22.9	(22.9)	-
Total financial liabilities	31.2	(31.2)	-	22.9	(22.9)	-

* Financial collateral disclosed is limited to the amount of the related financial asset and liability.

Fair value hedges

The Group holds a portfolio of fixed rate mortgages and savings products as well as fixed rate treasury assets and PIBS, it is therefore exposed to changes in fair value due to movements in market interest rates. The Group manages this risk exposure by entering into pay fixed / receive floating interest rate swaps for its fixed rate assets and pay floating / receive fixed interest rate swaps to hedge its fixed rate liabilities.

31. Financial instruments (continued)

Market and interest rate risk (continued)

Fair value hedges (continued)

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed separately but are not managed through hedged derivative financial instruments by the Group.

The interest rate risk component is determined as the change in the fair value of the hedged item arising solely from changes in the appropriate 3-month benchmark rate of interest (SONIA). Such changes are usually the largest component of the overall change in fair value.

This strategy is designated as a fair value hedge and its effectiveness 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 interest rate swaps. The Group establishes the hedging ratio by matching the notional of the derivatives with the principal of the hedged items.

Possible sources of ineffectiveness are as follows:

- differences between the expected and actual volumes of prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience;
- difference in the discounting between the hedged item and the hedging instrument, as cash collateralised interest rate swaps are discounted using the relevant reference rate discount curves, which are not applied to the fixed rate mortgages; and
- hedging derivatives with a non-zero fair value at the date of initial designation as a hedging instrument.

The exposure from mortgage and savings portfolios frequently changes due to new loans / savings accounts originated, contractual repayments and early prepayments in each period. As a result, the Group adopts a dynamic hedging

strategy (sometimes referred to as a 'macro' or 'portfolio' hedge) to hedge the exposure profile by closing and entering into new swap agreements at each month-end. The Group uses the portfolio fair value hedge of interest rate risk to recognise fair value changes related to changes in interest rate risk in the relevant portfolio, and therefore reduce the profit or loss volatility that would otherwise arise from changes in fair value of the interest rate swaps alone.

The following table details the derivatives designated as fair value hedges included in the derivative financial instruments line of the Group's Consolidated Statement of Financial Position:

	2025 Contract / notional amount	2025 Fair value of Assets	2025 Fair value of Liabilities	2025 Changes in fair value used for calculating hedge ineffectiveness
Group and Society	£m	£m	£m	£m
Derivatives designated as fair value hedges for interest rate risk (Note 13)				
Held against fixed rate mortgages	2,922.8	20.2	(24.8)	(51.0)
Held against fixed rate treasury assets	185.3	-	(1.9)	(2.2)
Held against fixed rate savings	1,887.0	5.7	(0.3)	4.2
	4,995.1	25.9	(27.0)	(49.0)

	2024 Contract / notional amount	2024 Fair value of Assets	2024 Fair value of Liabilities	2024 Changes in fair value used for calculating hedge ineffectiveness
Group and Society	£m	£m	£m	£m
Derivatives designated as fair value hedges for interest rate risk (Note 13)				
Held against fixed rate mortgages	3,000.2	67.6	(10.1)	(4.0)
Held against fixed rate treasury assets	48.3	0.5	-	0.3
Held against fixed rate savings	1,662.0	1.4	(0.9)	1.6
	4,710.5	69.5	(11.0)	(2.1)

Derivative financial instruments (Note 13) includes the accumulated unamortised fair value hedge adjustments of £3.5m (2024: £0.5m) related to hedges that have been discontinued and are now amortised.

31. Financial instruments (continued)

Market and interest rate risk (continued)

Fair value hedges (continued)

The following table details the hedge exposures covered by the Group's hedging strategies:

2025	Carrying amount of hedged item		Accumulated amount of fair value adjustments on the hedged item		Balance Sheet line item	Change in fair value of hedged item for ineffectiveness assessment
	Assets	Liabilities	Assets	Liabilities		
Group and Society	£m	£m	£m	£m		£m
Hedged items in fair value hedges for interest rate risk (Note 13)						
Held against fixed rate mortgages	3,018.4	-	16.0	-	Loans & advances to members	49.0
Held against fixed rate treasury assets	177.8	-	1.9	-	Debt securities	2.2
Held against fixed rate savings	-	2,203.2	-	(5.2)	Shares	(4.9)
	3,196.2	2,203.2	17.9	(5.2)		46.3

2024	Carrying amount of hedged item		Accumulated amount of fair value adjustments on the hedged item		Balance Sheet line item	Change in fair value of hedged item for ineffectiveness assessment
	Assets	Liabilities	Assets	Liabilities		
Group and Society	£m	£m	£m	£m		£m
Hedged items in fair value hedges for interest rate risk (Note 13)						
Fixed rate mortgages	3,033.3	-	(34.5)	-	Loans & advances to members	5.7
Fixed rate treasury assets	48.9	-	0.3	-	Debt securities	(0.3)
Fixed rate savings	-	1,706.7	-	(0.3)	Shares	(1.7)
Subscribed capital	-	-	-	-	Subscribed Capital	-
	3,082.2	1,706.7	(34.2)	(0.3)		3.7

The following table contains information regarding the effectiveness of the hedging relationships designated by the Group, as well as the impacts on profit or loss:

2025	Hedge ineffectiveness recognised in Income Statement	Income Statement line item that includes reclassified amount
Group and Society	£m	
Fair value hedges		
Interest rate swaps		
Held against fixed rate mortgages	(2.8)	Net gains from derivative financial instruments
Held against fixed rate treasury assets	-	
Held against fixed rate savings	(0.8)	
	(3.6)	

2024	Hedge ineffectiveness recognised in Income Statement	Income Statement line item that includes reclassified amount
Group and Society	£m	
Fair value hedges		
Interest rate swaps		
Fixed rate mortgages	0.9	Net gains from derivative financial instruments
Fixed rate treasury assets	-	
Fixed rate savings	(0.1)	
	0.8	

32. Capital structure

The Society's policy is to maintain a capital base to maintain member, creditor and market confidence and to sustain future development of the business. The formal Internal Capital Adequacy Assessment Process ('ICAAP') assists the Society with its management of capital. Through its quarterly business plan update the Board monitors the Society's capital position to assess whether capital is held to mitigate the risks it faces in the course of its business activities. The Society's actual and expected capital position is reviewed against stated risk appetite which aims to maintain capital at a specific level above its TCR.

32. Capital structure (continued)

The Board manages the Society's capital and risk exposures to maintain capital in line with regulatory requirements which includes monitoring of:

- **Lending and business decisions** - the Society uses application scorecards to help it assess whether mortgage applications fit within its appetite for credit risk. Once loan funds have been advanced, behavioural scorecards are used to review the ongoing risk profile of both the portfolios and individual members. In addition, for residential and BTL mortgages property values are updated on a quarterly basis.
- **Pricing** - pricing models are utilised for all mortgage product launches. The models include expected loss estimates and capital utilisation enabling the calculation of a risk adjusted return on capital.
- **Concentration risk** - the design of retail products takes into account the overall mix of products to ensure that exposure to market risk remains within permitted parameters.
- **Counterparty risk** – wholesale lending is only carried out with approved counterparties in line with the Society's lending criteria and is subject to a range of limits. The limits are monitored daily to ensure the Society remains within risk appetite.

This is subjected to regular stress tests to ensure the Society maintains sufficient capital for future possible events.

The Society's regulatory capital consists of independently verified general reserves, accumulated gains and losses recognised in both the fair value and revaluation reserves; less adjustments in relation to intangible assets, deferred tax and assets / liabilities held at fair value. Further information can be found in the Pillar 3 disclosures which are published on the Society's website.

The Group's capital requirements are set and monitored by the PRA. During 2025, the Society has complied with the requirements included within the Capital Requirements Directive V (Basel III). Further details of these requirements and their impact on the Society are provided in the Strategic Report on page 24.

There were no reported breaches of capital requirements during the year. There have been no material changes in the Society's management of capital during the year.

Under Basel III Pillar 3, the Society is required to publish further information regarding its capital position and exposures. The Society's Pillar 3 disclosures are available on our website.

33. Related party transactions

Transaction with Group companies

During the year, Nottingham Building Society has received £0.2 million (2024: £0.2 million) in fees for providing cash manager and mortgage servicer fees to Arrow Mortgage Finance No.1 Limited and £0.3 million (2024: £nil) in fees for providing mortgage servicer fees to Lace Funding 2025-1 PLC.

Movement on the intercompany balances are disclosed in Note 16.

At the end of the year the following balances were outstanding between the Society and its subsidiaries:

	2025	2025	2024	2024
	Amount owed to subsidiaries	Amount owed by subsidiaries	Amount owed to subsidiaries	Amount owed by subsidiaries
	£m	£m	£m	£m
Arrow Mortgage Finance No. 1 Limited	(152.6)	33.4	(208.2)	33.4
Lace Funding 2025-1 PLC	(305.1)	44.0	-	-
	(457.7)	77.4	(208.2)	33.4

Interest accrues on the balances outstanding with Arrow Mortgage Finance and Lace Funding 2025-1 PLC at SONIA plus a margin. The repayment of the loan will follow the collection of the principal and interest of the underlying mortgage assets, used as security and have a contractual maturity of December 2026 and November 2024 respectively.

Transactions with key management personnel

Transactions with key management personnel are on the same terms and conditions applicable to members and other employees within the Group. The Directors are considered to be the only key management personnel as defined by IAS 24, which includes Non-Executive Directors.

Compensation for key management personnel for the year totalled £1.7 million (2024: £1.7 million) and a breakdown is disclosed on pages 71 and 72 in the Directors' Remuneration Report.

33. Related party transactions (continued)

In addition, the following transactions were undertaken through the normal course of business:

	2025	2025	2024	2024
	Number of key management personnel and their close family members	Amounts in respect of key management personnel and their close family members	Number of key management personnel and their close family members	Amounts in respect of key management personnel and their close family members
Group and Society	Number	£000	Number	£000
Share accounts				
Net movements in the year	2	114	(2)	53
Balances outstanding 31 st December	8	333	7	219
Subscribed capital				
Net movements in the year	-	-	-	-
Balances outstanding 31 st December	1	5	1	5
Interest payable on share accounts	-	-	-	-
Interest payable on subscribed capital	-	-	-	-

Directors' loans and transactions

As at 31st December 2025 there were no (2024: no) outstanding secured mortgage loans made in the ordinary course of business at a normal commercial rate to directors and their connected persons. A register is maintained at the head office of the Society that shows details of all loans, transactions and arrangements with directors and their connected persons. A statement of the appropriate details contained in the register, for the financial year ended 31st December 2025, will be available for inspection at the head office for a period of 15 days up to and including the AGM.

34. Notes to the cash flow statements

		2025	2024
Group and Society	Notes	£m	£m
Changes in liabilities arising from financing activities			
Subscribed capital at 1 st January		23.9	23.9
Accrued interest		1.9	1.9
Interest paid		(1.9)	(1.9)
Balance at 31st December	29	23.9	23.9

35. Loan commitments

	2025	2024
Group and Society	£m	£m
Mortgage commitments	166.0	381.7
Committed facilities to fintech mortgage provider	67.2	71.4
Balance at 31st December	233.2	453.1

The Society has entered into a strategic partnership with a fintech mortgage provider and the outstanding balance from this commitment is presented above.

36. Registered office

Nottingham Building Society is a building society, incorporated and domiciled in the UK. The address of its registered office is Nottingham House, 3 Fulforth Street, Nottingham, NG1 3DL.

Annual Business Statement

1. Statutory percentages

	2025	Statutory limit
	%	%
Lending limit		
Proportion of business assets not in the form of loans fully secured on residential property	3.20	25
Funding limit		
Proportion of shares and borrowings not in the form of shares held by individuals	9.06	50

The percentages are calculated in accordance with, and the statutory limits are those prescribed by, sections 6 and 7 of the Building Societies Act 1986 and are based on the Group Statement of Financial Position.

Business assets are the total assets of the Society and its subsidiary undertakings as shown in the Group's Statement of Financial Position plus impairment for losses on loans and advances (Note 15), less property, plant and equipment, intangible assets and liquid assets.

Loans fully secured on residential property are the amount of principal owing by borrowers and interest accrued not yet payable.

Total 'shares and borrowings' are the aggregate of 'shares', 'amounts owed to credit institutions', 'amounts owed to other members' and 'debt securities in issue' in the Group's Statement of Financial Position. Shares held by individuals are found in Note 21.

2. Other percentages

	2025	2024
	%	%
As a percentage of shares and borrowings:		
Gross capital	5.71	5.65
Free capital	5.22	5.26
Liquid assets	21.02	18.66
As a percentage of mean total assets:		
Profit after taxation	0.20	0.19
Management expenses (Group)	1.28	1.33
Management expenses (Society)	1.26	1.32
As a percentage of year-end assets		
Return on assets	0.20	0.17

The above percentages have been calculated from the Group's Financial Statements.

'Shares and borrowings' are the aggregate of 'shares', 'amounts owed to credit institutions', 'amounts owed to other members' and 'debt securities in issue' in the Group's Statement of Financial Position.

'Gross capital' is the aggregate of subscribed capital and aggregated reserves as shown in the Group's Statement of Financial Position.

'Free capital' is gross capital less property, plant and equipment, lease assets and intangible assets in the Group's Statement of Financial Position.

'Mean total assets' are calculated by halving the aggregate of total assets at the beginning and end of the financial year for the Group.

'Liquid assets' are the first three items on the asset side of the Group's Statement of Financial Position.

'Management expenses' are the aggregate of administrative expenses (excluding acquisition and merger costs) and depreciation and amortisation taken from the Group's Statement of Comprehensive Income.



3. Information about the Directors at 31st December 2025

Director's name	Date of appointment	Business occupation	Other directorships and offices
Robin Ashton	01.12.23	Non-Executive	Domestic and General Limited Domestic and General Insurance Europe AG Domestic and General Insurance plc Pollen Street Capital Funds III & IV
Simon Baum Chief Risk Officer	18.06.18	NBS Executive	Baum Associates Ltd
Sue Hayes Chief Executive	08.03.22	NBS Executive	N/A
Anthony Murphy Chief Financial Officer	23.06.23	NBS Executive	University of Nottingham
Peter O'Donnell	01.01.21	Non-Executive	Queen Victoria NHS Foundation Trust One Family
Kavita Patel	01.01.17	Non-Executive	Foresight Enterprise VCT PLC
Kerry Spooner	01.09.16	Non-Executive	ANZ Bank - UK branch The Bank of Nova Scotia, London Branch
Chris Sparks	01.03.25	Non-Executive	Unity Trust Bank PLC Durham University University of Edinburgh
Clodagh Gunnigle	22.09.25	Non-Executive	Admiral Financial Services Limited Alpha Bank London Limited Sonas

Executive directors' service contracts:

The CEO's contract is terminable at any time by the Society on 12 months' notice and by the CEO on 12 months' notice. The contracts for the other Executive Directors are terminable at any time by the Society on six months' notice and by the individual on six months' notice. Unless notice to terminate is given by either party, all contracts continue automatically.

Glossary

Set out below are the definitions of the terms used within the Annual Report and Accounts to assist the reader and to facilitate comparison with other financial institutions:

Additional Tier 1 capital ('AT1')	Capital that meets certain rules under the Capital Requirements Directive (CRD) and comprises the Society's Permanent Interest Bearing Shares (PIBS), but only under transitional provisions.
Arrears	A member is in arrears when they are behind in meeting contractual obligations, resulting in an overdue loan payment. The value of arrears is the total of missed payments.
Basel III	A global regulatory framework setting strengthened standards for bank capital adequacy and liquidity.
Buy-to-let loans ('BTL')	Loans offered to members purchasing residential property specifically to let out and generate rental income.
Capital Requirements Directive ('CRD')	Comprises the Capital Requirements Regulation ('CRR') and the Capital Requirements Directive, which outline the capital requirements framework and introduce liquidity requirements used by regulators when supervising firms.
Common Equity Tier 1 capital ('CET1')	Internally generated capital from retained profits and other reserves, less intangible assets and regulatory deductions. CET1 capital is fully loss-absorbing.
Common Equity Tier 1 ratio	CET1 capital expressed as a percentage of risk-weighted assets.
Contractual maturity	The date on which a loan or financial instrument expires, when all outstanding principal and interest become due.
Cost income ratio	Represents administrative expenses as a proportion of total income. On an underlying basis, excludes one-off strategic investment costs and fair value gains or losses from derivatives.
Credit risk	The risk that a member or counterparty fails to meet contractual obligations.
Debt securities	Certificates of indebtedness issued by credit institutions, public bodies or other undertakings, excluding those issued by central banks.
Debt securities in issue	Transferable certificates of indebtedness issued by the Society to the bearer. These are Group liabilities and include certificates of deposit.
Derivative financial instruments	Contracts whose value is based on an underlying price or index, such as interest rates or exchange rates. Used by the Society to hedge interest rate risk.
Effective interest rate method ('EIR')	Allocates interest income or expense over the relevant period, including fees and penalties integral to the contract.

Glossary (continued)

Expected Credit Loss ('ECL')	The present value of all cash shortfalls over the expected life of a financial instrument, used for impairment provisions under IFRS 9.
Exposure	The maximum potential loss if a borrower or counterparty fails to meet obligations.
Exposure at Default ('EAD')	An IFRS 9 component estimating the balance profile of each mortgage account over its expected behavioural lifetime.
Fair value	The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.
Fair value through other comprehensive income ('FVOCI')	Financial assets measured at fair value with changes recognised in other comprehensive income.
Fair value through profit or loss ('FVPL')	Financial assets measured at fair value with changes recognised in the Income Statement.
Financial Conduct Authority ('FCA')	The UK statutory body responsible for conduct regulation and supervision of authorised firms.
Financial Services Compensation Scheme ('FSCS')	The UK's compensation fund of last resort for members of authorised financial services firms, funded by industry levies.
Fintech	A company focused on technology-enabled financial innovation.
Forbearance strategies	Measures to support borrowers in financial difficulty, such as temporary payment reductions or term extensions, aimed at avoiding repossession.
Free capital	Gross capital and collective impairment provisions less property, plant and equipment and intangible assets.
Funding limit	Proportion of shares and borrowings not in the form of shares held by individuals, as explained in the Annual Business Statement.
Interest rate risk	Risk of loss due to changes in market interest rates, affecting mortgages and savings products.
Internal Capital Adequacy Assessment Process ('ICAAP')	The Society's own assessment of capital needs under Basel III, including stress scenarios.
Internal Liquidity Adequacy Assessment Process ('ILAAP')	The Society's assessment of liquidity resources required to remain within risk tolerances under various stress scenarios.
Lending limit	Proportion of business assets not in the form of loans fully secured on residential property.
Leverage ratio	Tier 1 capital divided by total exposures, including on- and off-balance sheet items.
Liquid assets	Cash in hand, loans and advances to credit institutions, and debt securities.

Glossary (continued)

Liquid asset ratio	Liquid assets expressed as a percentage of shares and borrowings.
Liquidity risk	Risk that the Society cannot meet financial obligations as they fall due or can only do so at excessive cost.
Loan-to-value ratio ('LTV')	Mortgage amount expressed as a percentage of the property value.
Loans past due	Loans on which a payment has not been made by its due date.
Loss Given Default ('LGD')	An IFRS 9 component estimating the likely loss on asset disposal if default occurs.
Management expenses	Administrative expenses, depreciation and amortisation.
Management expense ratio	Management expenses expressed as a percentage of mean total assets, excluding one-off strategic investment costs.
Market risk	The risk that movements in market risk factors, including foreign exchange rates, interest rates, credit spreads and member-driven factors, will create potential losses or decrease the value of the Society's Balance Sheet.
Mean total assets	Represents the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
Member	A person who has a share investment or a mortgage loan with the Society.
Net interest income	The difference between interest receivable on assets and similar income and interest paid on liabilities and similar charges.
Net interest margin	A ratio expressing net interest income as a percentage of mean total assets.
Operational risk	The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.
Permanent Interest Bearing Shares ('PIBS') / Subscribed capital	Unsecured, deferred shares of the Society which rank behind the claims of all depositors, payables and investing members. PIBS are also known as subscribed capital.
Probability of Default ('PD')	An IFRS 9 component estimating the likelihood that a borrower will default over a fixed time period. A 12-month ECL uses a 12-month PD, while a lifetime ECL uses the estimated PD over the remaining contractual life.
Prudential Regulation Authority ('PRA')	The statutory body responsible for prudential supervision of banks, building societies, insurers and certain investment firms in the UK. A subsidiary of the Bank of England.
Renegotiated loans	Loans where terms have been modified by agreement between borrower and lender, either as part of an ongoing relationship or due to financial difficulty.
Residential loans	Loans to individuals secured against residential property.

Glossary (continued)

Right-of-use asset	A lessee's right to use an asset over the life of a lease, measured as lease liabilities plus initial direct costs, less incentives received.
Risk appetite	The level of risk the Society is willing to accept to safeguard members' interests while achieving business objectives.
Risk-weighted assets ('RWA')	Assets adjusted under Basel III rules to reflect their risk profile.
Secured business lending ('SBL')	Loans secured on commercial property, available to SMEs, including limited company buy-to-let lending.
Shares	Funds deposited by a person in a retail savings account with the Society, recorded as liabilities.
Shares and borrowings	Aggregate of shares, amounts owed to credit institutions, amounts owed to other members and debt securities in issue.
Significant increase in credit risk ('SICR')	Occurs when credit risk has moved significantly since initial recognition, based on quantitative and qualitative factors.
Special Purpose Vehicle ('SPV')	A legal entity created for specific objectives, used by the Society for securitisation activities.
SPPI test	Assessment of whether contractual terms give rise to cash flows that are solely payments of principal and interest.
Stage 1, Stage 2, Stage 3	IFRS 9 impairment stages: Stage 1: No significant increase in credit risk; 12-month ECL applies. Stage 2: Significant increase in credit risk; lifetime ECL applies. Stage 3: Credit-impaired assets; lifetime ECL applies.
Standardised approach	Basic method for calculating capital requirements for credit risk using prescribed risk weights.
Term Funding with additional incentives for SMEs ('TFSME')	Bank of England and HM Treasury scheme providing funding to stimulate SME lending.
Tier 1 capital	Comprises CET1 and AT1.
Tier 1 ratio	Tier 1 capital as a percentage of risk-weighted assets.
Tier 2 capital	Includes collective impairment allowance (for exposures treated on a Standardised basis), less regulatory deductions.
Total Capital Requirement ('TCR')	Total capital required by the regulator, comprising Pillar 1 and Pillar 2A capital.
Underlying profit	Management's measure of underlying performance, excluding one-off volatility and non-recurring items.
Wholesale funding	Amounts owed to credit institutions, other members and debt securities in issue.



Nottingham
Building Society