

**Annual Report and
Accounts 2025**



REAL HELP WITH REAL LIFE

**Members coming together to
make good homes possible
for more people**

 **YORKSHIRE
BUILDING SOCIETY**



Welcome to
Yorkshire Building Society

Our purpose

REAL HELP WITH REAL LIFE

Members coming together to make good homes possible for more people.

Because we're owned by our members, we do things differently. As a building society, it's our job to help people save and take steps towards secure, sustainable homes, whether owned or rented. Because good homes aren't just bricks and mortar – they shape health, happiness, opportunity, and our path to a greener future.



Our Strategic Pillars



Double reach and deepen impact



Create joyful experiences



Cultivate an ambitious culture



Build a future-ready Society

Our Behaviours



We care about people



We say it straight



We reach for better



We make it happen



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OUR PERFORMANCE

How we're looking after our members' interests.



Being the number one choice for savers

How we're delivering long-term value for our savers.

Average savings rate differential¹

0.62^{PP}
higher than the market average
0.90^{PP} in 2024

Savings accounts opened

478,000
537,000 in 2024



Savings balance market share²

2.4%
2.5% in 2024

Growth in savings balances

2.1%
10.6% in 2024

Average savings rate paid³

3.66%
over 2025
4.21% in 2024

¹ YBS Group average savings rate compared to Rest of Market average rates. Source: CACI's Current Account and Savings Database (CSDB), Stock. Data period December 2024 – November 2025 (being latest available).
² Source: YBS analysis of BSA Household savings. Data period January – December 2025.
³ Source: CACI's Current Account and Savings Database (CSDB), Stock. Data period December 2024 – November 2025 (being latest available). The average Bank of England base interest rate for 2025 was 4.25% (2024: 5.11%).



Real Help with Real Life

How we're delivering on our Purpose to make good homes possible for more people.

Gross lending

£9.9bn
£9.7bn in 2024

Gross mortgage lending market share⁴

3.3%
3.8% in 2024



Growth in mortgage balances⁵

4.4%
6.2% in 2024

New residential mortgages provided

38,400
41,000 in 2024

First time buyer mortgages provided

11,000
9,700 in 2024



Growing sustainably

How we're staying financially strong.

Statutory profit before tax

£377.9m
£383.7m in 2024

Core operating profit⁶

£426.7m
£345.7m in 2024

Cost to core income ratio⁶

48%
51% in 2024

Common equity Tier 1 ratio

18.8%
18.1% in 2024

Leverage ratio

7.0%
6.6% in 2024

Liquidity coverage ratio⁷

238.7%
202.7% in 2024



Net Promoter Score (NPS®)⁸

+66
+64 in 2024

⁴ Based on Bank of England total industry gross lending. Data period January – December 2025.
⁵ Growth in mortgage balances excludes fair value adjustments for hedged risk on loans and advances to customers.
⁶ See the Glossary definitions for alternative performance measures.
⁷ The LCR metric quoted represents the total for the Group as at 31 December 2025.
⁸ Net Promoter Score and trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc. Data period January – December 2025, based on 17,177 responses.

WELCOME FROM THE CHAIR OF THE BOARD

Annemarie Durbin



2025 was a strong year for the Society. We delivered solid results and growth in our core markets, despite tough competition.

That says a lot about our strategy and the incredible commitment of our colleagues.

However it was about more than just numbers. It was a reset moment for the Society, where we sharpened our Purpose.

Defining our Purpose

For over 160 years, our Purpose has been clear: to deliver Real Help with Real Life. It's why we're here and the role we want to play for our members.

In 2025, we brought colleagues, members, customers and partners together to sharpen that Purpose and set a clear direction for the future:

At Yorkshire Building Society, Real Help with Real Life means members coming together to make good homes possible for more people.

That's what being a building society is all about. Helping people save and take steps towards secure, sustainable homes - whether owned or rented.

Good homes are more than bricks and mortar. They shape health, happiness and even a greener future. Owning a home can unlock financial confidence and security too. Our research shows renters could be £2.6m worse off than homeowners over a lifetime.

Our mutual difference

As a mutual, we don't have shareholders. Everything we do is for our members – whether that's through the products and services we offer or the investment we make in the Society.

In 2025, we invested more than ever in our change programme to make the Society stronger and improve member experience. That meant boosting resilience, tightening security controls and adding new features to our app. We also introduced real time processing for inbound faster payments. It's a clear example of how we're re-investing profit to better serve members.

Ultimately, we want our members to feel valued, supported, heard and championed.

We appreciate their thoughts and always look forward to speaking with them at our Annual General Meeting. Their regular feedback through our member panel, My Voice, shapes how we run the Society.

We provide excellent customer service, real support from real people and offer consistently great value, year after year.



In 2025, despite reductions in the Bank of England Bank Rate, we continued to reward our savers. Above market average rates meant our savers gained an extra £313m.

Members also value how we stand up for their interests – pushing for fairer housing and help with high living costs. Our zero-commission insurance offering has already saved customers more than £2m⁹ - a decision made purely to give extra value to members.

As well as knowing their money is working hard for them, members want to know it's making a difference to others. This is the power of mutuality. The power of coming together.

We play a key role in strengthening financial resilience in the wider community through programmes and partnerships that help people find work and improve financial education and wellbeing.

Our partnership with FareShare has raised £884,000 so far and has equipped 2,100 people with skills to find work, with 153 going on to employment.

Citizens Advice advisers are in 44 of our branches and helped 5,600 people in 2025. And four Bradford charities that support skills and employment are sharing £1m from the Yorkshire Building Society Charitable Foundation - made possible thanks to investment from the Society.

We never take members' trust for granted. It's earned through the hard work and dedication of our teams and is reflected in our Net Promoter Score (NPS) which increased to +66 in 2025 (2024: +64).

Strengthening our governance

We made important changes to build a modern Board for a modern mutual – one with the skills, experience, talent and diversity of perspectives that are needed to guide the Society for our members, today and in the years ahead.

Sustainability matters to us. Decisions we make now shape the homes, communities and environment of tomorrow. That's why we've set up a new Board Environmental and Social Purpose Committee, chaired by Janet Pope. It gives focused oversight and helps us respond to social, economic and climate challenges.

We've strengthened the Board further with new appointments. Elaine Bucknor joined as Non-Executive Director, bringing three decades of experience in the technology sector. And we welcomed Sahem Gulati as Board Fellow through our work with Empowering People of Colour, a network driving change in the makeup of UK boards.

Dina Matta and Guy Bainbridge stepped down from the Board and we thank them for their valued contribution to our Society. Angela Darlington succeeded Guy as Vice Chair.

We remain committed to the highest standards of corporate governance. That means taking proactive steps to meet regulatory obligations and strengthen the systems and processes that protect our members, customers, colleagues and the Society.

Ready for the future

The Board is here to make sure our culture thrives. We've focused on building an agile, efficient way of working – one that supports our Purpose, gives colleagues the right skills for the future and keeps improving experiences for everyone.

Our Board and governance keep evolving. Led by a clear Purpose and plans for ambitious, sustainable growth, I'm confident Yorkshire Building Society will keep thriving as a mutual - serving members for generations to come.

Annemarie Durbin
Chair of the Board



⁹ Customers saved £1.65m through zero commission on home insurance premiums, and £730,000 on life insurance, January – December 2025



Susan Allen, OBE

2025 was a defining year for us. We reaffirmed our Purpose. We made progress on our plans and we grew our mortgage and savings balances – even with increased competition and falling interest rates.

Our members trust us to keep their money safe. Strong capital and liquidity mean we can keep investing in better products and services. That way, we meet members' needs today and stay fit for the future.

Our Purpose in action

We're here to make a real difference – for our members and customers, their families and their communities. That's why our Purpose matters.

Real Help with Real Life means members coming together to make good homes possible for more people.

It all starts with our savers. We want to be their number one choice. So, we reward loyalty, offer rates above the market average and speak up for members when it counts. In 2025 we celebrated returning almost £1.5bn in extra interest to savers in just five years¹⁰.

Research we supported¹¹ shows that saving even a little can bring peace of mind and help people avoid financial difficulty. That's why, for the second year running, we offered our £50 Regular Saver. In 2025, it helped nearly 11,000 customers start or keep saving.

Choice matters too. Many members want to save in a Cash ISA. So, when speculation grew about changes to the ISA allowance, we spoke out. Alongside other building societies, we urged the government to think carefully about the impact. While we're disappointed to see the allowance reduced, we welcome the fact the Chancellor listened to us and the wider mutual sector and decided not to cut it dramatically. And we're pleased the £20,000 allowance remains for those over 65, as flexibility for retirement planning is crucial.

¹⁰ Due to above market average rates, Yorkshire Building Society savers gained £313.0m in 2025 (Dec 2024 - Nov 2025), £430.2m in 2024, £441.1m in 2023, £198.6m in 2022, £107.1m in 2021.

¹¹ <https://www.bsa.org.uk/media-centre/press-releases/%C2%A32,000-in-savings-reduces-the-odds-of-falling-behind-on-bills-by-60-%E2%80%93-but-even-small-amounts-can-ma>

Making more good homes possible

We're going further to make good homes possible for more people. Building on what we've started - and finding new ways to help:

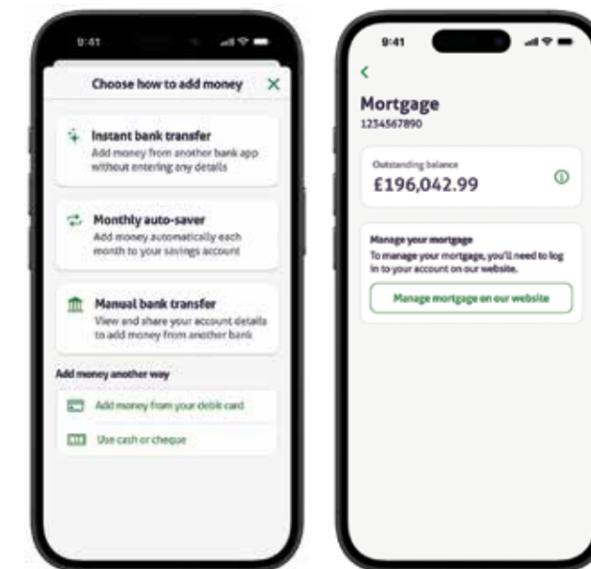
- We made home ownership more accessible. Products like our £5k Deposit Mortgage and First Home Saver help tackle barriers like raising a deposit. In 2025 almost 30% of our mortgages went to first-time buyers.
- When stamp duty increased in April, we launched a cashback mortgage – giving up to £6,250 to help cover the extra costs.
- We called for change in the housing system, taking forward recommendations in our *Home Improvements* policy paper and urging policymakers to fix challenges, like affordability and supply.
- We helped people make the most of their homes. Our partnership with Doshi, an online financial education tool, has helped 675 people better understand how to buy a home. We also helped 2,400 customers understand how to save on bills through our home energy efficiency partnership with Snugg.
- We supported responsible landlords. Renting is the right choice for some – and a stepping stone for others. As one of the UK's largest buy-to-let lenders, we work with landlords and brokers to support good quality rental homes. This helps more people to have a safe place to call home.

Delivering our strategy

Our Purpose drives everything we do. We have four strategic pillars to guide our activity and bring this to life. They help us remain successful and make a lasting difference for members.

- **Double reach and deepen impact** - we're investing significantly to provide new products and services to meet customer needs - our £50 Regular Saver and First Home Saver for example - and we're keeping more customers with us when their mortgage reaches maturity.
- **Create joyful experiences** – however customers choose to manage their money, we want it to feel easy. We have one of the biggest building society branch and agency networks in the country and we're committed to keeping a presence on the high street, because we know many members value the personal touch found there when they need it. In 2025, we introduced inbound faster payments. We're working on outbound faster payments too - because we know it matters to members. We're also committed to making our app even better. Mortgage balances are now in the app, and you can open most of our savings accounts there too.

- **Cultivate an ambitious culture** – we're investing in future skills so colleagues can keep delivering the personal, friendly service our members and customers value.
- **Build a future-ready Society** – in 2025 we invested a record amount in technology and capability to make sure we're set up for generations to come.



Looking ahead

I'm delighted to have strengthened my team in 2025, by welcoming Simon Watson as Chief Customer Officer and Fiona Cannon OBE as Chief Strategy and Sustainability Officer. Their decades of relevant experience will make a difference as we set out to deliver our ambitious plans.

2026 will bring challenges - for the economy and for our customers. The cost of living is likely to stay high. That's why our renewed Purpose matters more than ever. I'm committed to making sure it guides the decisions we make.

With a solid financial position, a clear strategy, and a committed team, the Society is equipped to keep supporting our members and customers well for decades to come. We're confident about our future success, energised for what's ahead and united by putting our Purpose into action.

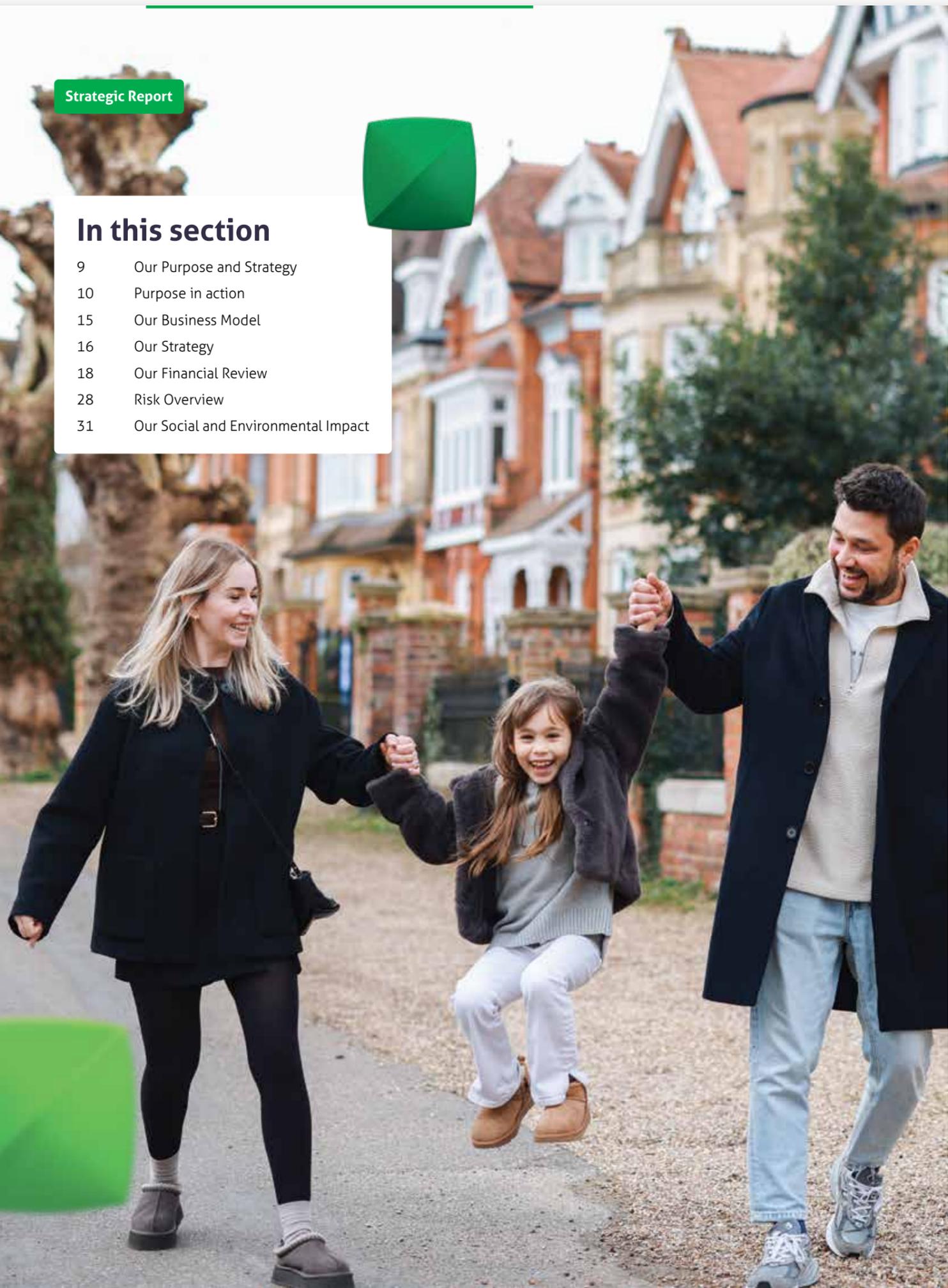
Thank you for your continued support.

Susan Allen, OBE
Chief Executive Officer

Strategic Report

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OUR PURPOSE AND STRATEGY

Sharpening our Purpose

For over 160 years, our Purpose has been to provide Real Help with Real Life.

It's served us and our members well to date, but we knew we could be clearer on what it meant in practice.

Ultimately, we knew we'd be able to drive more effective business decisions to create better value for our members if we sharpened it.

We engaged nearly 500 colleagues, members, partners and leaders in workshops, interviews and surveys to understand how we can truly bring our Purpose to life for today's world.

The message was clear, we must do more to help people into safe, secure homes. So, we sharpened our Purpose:

Real Help with Real Life means members coming together to make good homes possible for more people.

We haven't changed our Purpose. We've just made it clearer.

As a building society, we offer a safe and rewarding place to save and then we lend responsibly to support homeownership, whether that's owned or rented.

Bringing our Purpose to life

To deliver on our Purpose, we're committing to five key areas, supported by our savers:

REAL HELP WITH REAL LIFE

Members coming together to make good homes possible for more people



PURPOSE IN ACTION



Number one choice for savers

Delivering our Purpose starts with being the number one choice for savers. That's why we offer award-winning service, great value, and products designed around our members' needs.

Competitive savings rates

In 2025, our savings rates were on average 0.62 percentage points higher than the market average, even as interest rates fell following the Bank of England's Bank Rate reduction. While many providers cut back, we stood firm in protecting our members' returns and maintaining some of the highest minimum interest rates in the industry.

Even in this challenging environment, we continued to offer good value, giving savers confidence that they would be rewarded with competitive returns.

Meaningful value

We know rates are important, but there's more to being a member with us. From personal in-branch events and services that help people when they need it most, or the opportunity to shape our business decisions and the products and services we offer - we make being a member rewarding. We also make it easy for members to give back to their communities, for example through our Small Change Big Difference® scheme.

So, whether it's consistently good value, real support from real people or knowing their money is making a difference, we want our members to feel part of something bigger.



IN ACTION:
REAL HELP WITH REAL LIFE

Lobbying to retain cash ISAs

We fought for our members' interests on proposed ISA reforms. Our message to policymakers was clear: don't cut the £20,000 cash ISA limit. We called for an ISA system that remains simple, accessible, and backed by education—so people can invest their savings with confidence. Because real help means standing up for what matters most to savers.

While it's disappointing that the allowance will reduce from £20,000 to £12,000 for under-65s, at one stage there was speculation about a significantly lower limit for all savers. Advocacy from the industry—including us—helped soften this reduction, ensuring a better outcome for our members.



Making home ownership more accessible

We help people into homes, whether they're buying for the first time, moving to their next home, refinancing or investing in property to rent out to others. Our total new residential mortgage lending in 2025 was £9.5bn (2024: £9.7bn), which included more than 38,400 new residential mortgages (2024: 41,000). With options spanning residential, buy-to-let and commercial mortgages, we supported 3.3% of the mortgage market in 2025 (2024: 3.8%), making it easier for people not only to buy but also to provide quality homes for those who rent.

Supporting first-time buyers

In 2025 we extended our innovative £5k Deposit Mortgage to include flats, helping people buy with a smaller deposit than they might once have thought possible.

We know not everyone has access to financial support from family, so on top of deposit challenges, a lack of income can also prove a barrier for some to meet lending criteria.

We expanded our Boost loan-to-income (LTI) range of mortgages to people buying their first home. This meant instead of lending someone four and half times their income, we'd lend them up to five and a half times. This made our mortgages more accessible to 994 people.

In total, we helped 26,300 people into their first home (2024: 23,300).

“Before the £5k Deposit Mortgage came along we just couldn't save a big enough deposit to buy somewhere.”



IN ACTION:
REAL HELP WITH REAL LIFE

A life-changing proposition

David and Natalie, from County Durham, aspired to own their own home for years. But with two young children, every time they built up a savings pot, it was eroded by the demands of family life.

David explained: "The income wasn't a problem as we both work full time, but before the £5k Deposit Mortgage came along we just couldn't save a big enough deposit to buy somewhere."

They secured a four-bedroom detached house thanks to the £5k Deposit Mortgage – making a forever home finally possible.

Helpful criteria changes

As well as improving what we do for first-time buyers, we made changes to our lending criteria in 2025 to help even more people into homes.

For example, we now accept Universal Credit as income and we reduced the minimum household income we require to £50,000 from £75,000 for loans greater than four and a half times earnings.

Strategic Report > Purpose in action



Helping people make the most of their homes

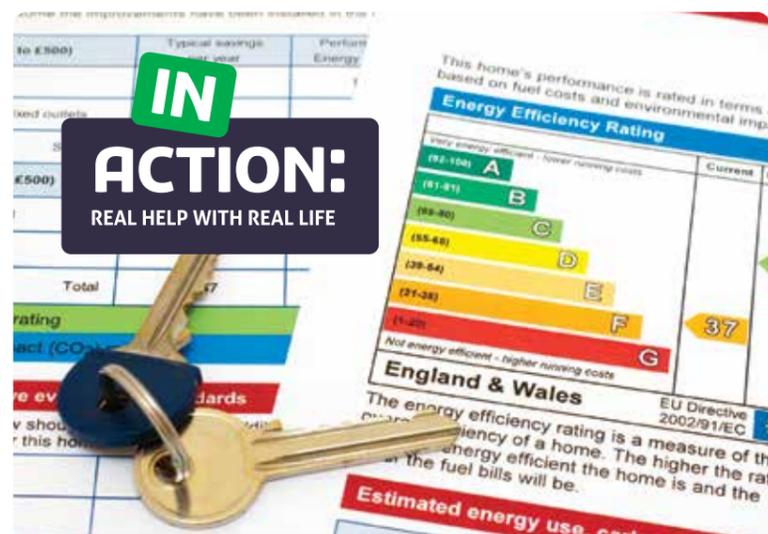
We're committed to helping customers create homes that are warm, energy efficient and more affordable to run. This not only supports the journey to a Net Zero future, but also improves everyday comfort and quality of life.

Sustainable homes

Our partnership with Snugg helps homeowners reduce how much energy they use and their energy bills as a result. Heating homes accounts for around 20% of UK greenhouse gas emissions¹², so supporting our customers and members to reduce their carbon footprint is another way we're working together to build a sustainable future.

Snugg's free online tool is available on our website¹³ and includes personalised suggestions for users to help improve the energy performance of their property, checks if they're eligible for grants and recommends trusted installers to make any changes.

2,400 people used the service in 2025, showing a clear interest in learning about potential retrofit options.



Personalised home efficiency support

Emily, from Bristol, explains how our partnership with Snugg helped her.

She said: "It was so easy to use Snugg - it's really user friendly and has a simple layout, making it easy to navigate and understand. Me and my partner were interested to know the EPC rating on our flat, and I love the plethora of tips on energy efficiency and money saving, some of which we've already incorporated. I also love the fact that, should you access any grants through them, you know that the tradesperson is approved by them - which adds peace of mind. I'm so grateful I heard about this through Yorkshire Building Society."

Commission-free protection

We've got two commission-free insurance products, one for homes, and one for life, that are offered purely for the benefit of our members to give them peace of mind.

Nearly a quarter of UK adults don't have buildings or contents insurance, with 31%¹⁴ of those saying they couldn't afford it. Our partnerships with Uinsure and LifeSearch have no financial benefit to us, it's just the right thing to do.

In 2025 we had record uptake of the home insurance product, and saved members £1.65m on home insurance premiums. We also saved them £730,000 on life insurance premiums.



Supporting responsible landlords

Through our intermediary brands, we work with brokers and landlords to improve how energy efficient properties are.

For example, for YBS Commercial Mortgages, we make sure landlords provide good quality, energy efficient rental properties. Before we agree to lend, we need the property to have an Energy Performance Certificate (EPC) of C or above or, a valid exemption. For those with EPC below C and no exemption, we must see a clear upgrade plan.

In 2025, 35.7% of our new lending met the C rating. Of those that didn't, and were rated D or E, we worked with landlords to agree the improvements needed. Typically, this was new insulation, replacing a boiler or upgrading to double or triple glazed windows. We make sure the work is done within 12 months, requesting documents and carrying out reviews to check the work meets regulations and improves homes for renters.



Investing in creating more good homes

We're exploring ways to work with members and partners to back projects that deliver good homes for communities across the UK.

Whilst this is a relatively new focus area for us, through our commercial lending activity, we've already been supporting the creation of more good homes, by helping landlords borrow against existing assets to build or buy homes for rent.



Future proofed developments

Through our YBS Commercial Mortgages brand, we supported a borrower who converted part of a long-held office building into six quality residential flats.

With full planning permission, ensuring compliance with standards for light, soundproofing, and layout, the design created a safe and practical mixed-use space.

All units achieved EPC Grade C, reflecting significant upgrades for energy efficiency and future proofing, and keeping the remaining commercial space meant local businesses continued to be supported.



Quality regeneration

YBS Commercial Mortgages provided development exit funding for a borrower who'd created much-needed residential housing on a former health care site in London.

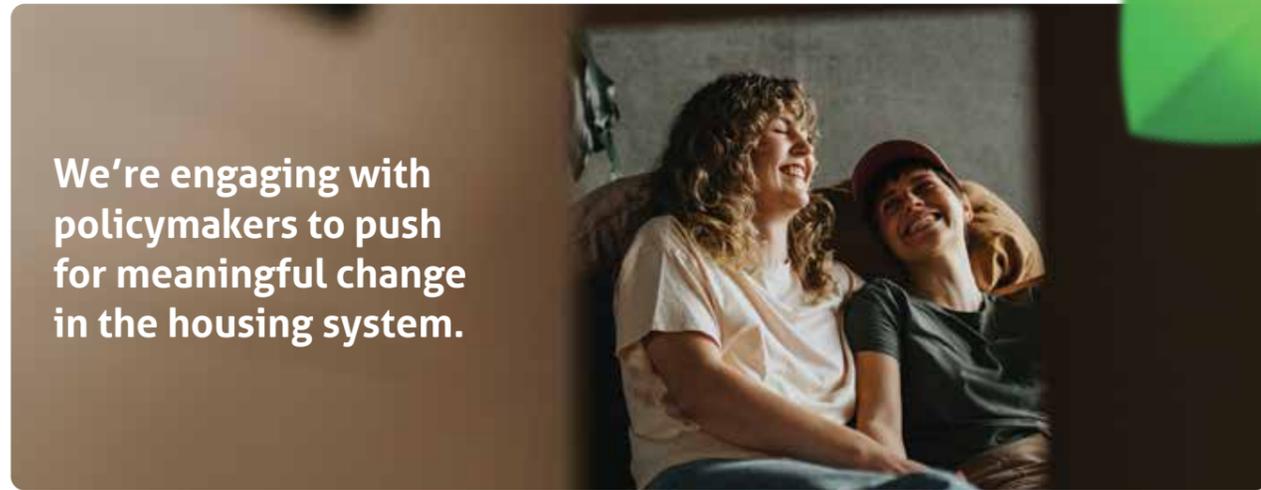
Nine high quality flats were built in a four-storey block, with each unit achieving EPC ratings of B thanks to energy efficient options and the use of modern building standard.

It's an example of how we support borrowers after completion to repurpose commercial sites – helping to address housing demand while promoting sustainable urban regeneration.

¹² <https://www.gov.uk/government/statistics/final-uk-greenhouse-gas-emissions-statistics-1990-to-2023>

¹³ <https://www.snugg.com/welcome/lybs>

¹⁴ Research completed by Opinium research for Yorkshire Building Society with 2000 Nat Rep sample – field work completed between November 27th to December 5th 2024



We're engaging with policymakers to push for meaningful change in the housing system.



Calling for change in the housing system

As one of the largest building societies in the UK, we continue to use our voice to speak up on issues that matter most to our members and customers by engaging with policymakers to push for meaningful change in the housing system.

Throughout 2025, we regularly submitted evidence, joined roundtables, spoke to government and pushed for housing reform.

We welcomed the FCA's flexibility to lower the stress rates applied to mortgage applications, which we predicted would mean we'd be able to lend on average, up to 15% more to people wanting to own their own home.

And as part of our efforts to influence a change in loan-to-income limits, our Chief Executive joined other building society leaders to give evidence at the Treasury Select Committee. It was followed up by a joint letter to the Committee Chair which outlined how many more people would be able to get on to the property ladder, if the cap was increased.

We also joined an important roundtable at HM Treasury to share how we're supporting first-time buyers, and how more needs to be done to make that support go further.

We recommended several things that needed to change, including: the urgent need to find innovative solutions for first-time buyers, a housing strategy that looks to repurpose brownfield sites, better understanding and access to affordable sustainable home improvements, and more support for the rental sector to provide quality homes.



IN ACTION:
REAL HELP WITH REAL LIFE

Pivotal industry change

Tom Simpson leads our Homes business team which led the charge for housing reform. He said: "The regulatory change to loan-to-income limits is a shining example of what happens when we combine Purpose with pace, as is our removal of minimum income requirements for first-time buyers. Our teams didn't just react - they led and I'm so proud of how we put members and customers first to lead the market on such an important and pivotal change for our industry."

OUR BUSINESS MODEL

We're owned by our members, not shareholders.

That means everything we do goes back into delivering long-term value for our savers and borrowers. It's what we've done for over 160 years - brought members' savings together to help make good homes possible for more people.

How we're funded



Saving deposits (81%)

Most of our funding comes from members saving with us.

Wholesale funding (13%)

We borrow money from financial markets.

Capital reserves (6%)

We've built a financial safety net from past profits.

How we earn income

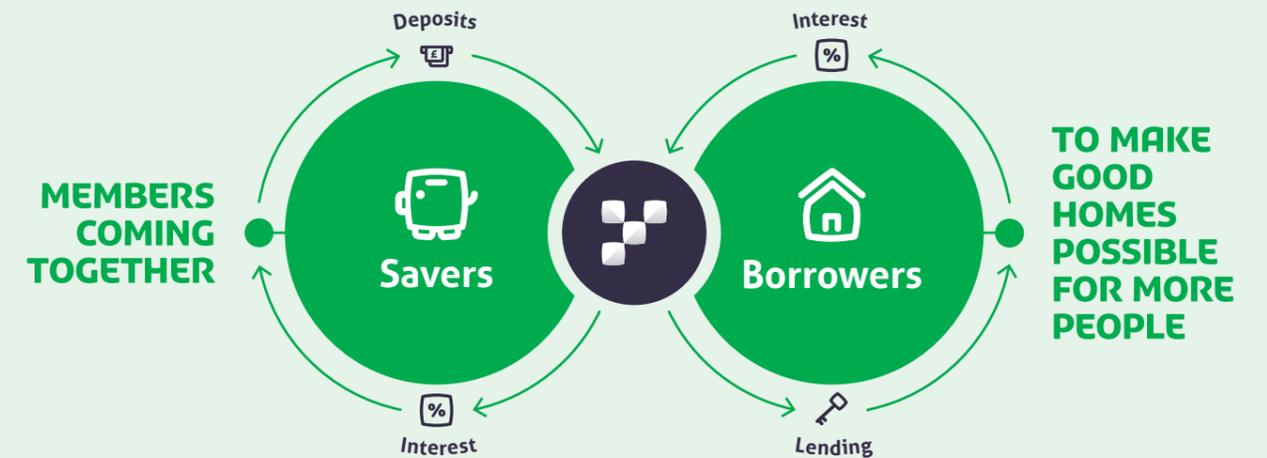


Our main income comes from interest paid by mortgage customers.

Net Interest Income

We then pay interest to our savings members and the difference between the interest we pay to our savers, and the interest we receive is net interest income.

This is used to pay for our day-to-day operations.



What we use our funding for



Mortgage lending

Most of the money we raise goes towards helping people buy homes – through our residential and buy-to-let mortgages, with some also used to lend on commercial properties.

Liquid assets

We hold some funds in easy-to-access places – like government-backed investments, so we can respond quickly to market changes.

What we use profits for



Financial strength

We need to make profit to maintain our financial strength and set us up for future success. It's used to help us grow and stay resilient if there was an economic downturn.

Investing in what matters

We also use profits to invest in activities and initiatives that support our communities and the world we live in, to make good homes possible for more people.

OUR STRATEGY

To deliver our Purpose and make a difference to the lives of our members and customers, we're continuing to focus on the four strategic pillars introduced in 2023.

They help us to concentrate on what we need to do to better support our existing members, customers and colleagues, as well as to reach and help more people.



Double reach and deepen impact

Our focus is twofold - growing our reach through expanding our customer base, whilst strengthening relationships with existing customers, by delivering more value through products and benefits built around members' needs.

In 2025 we introduced new savings and mortgage products, supported by educational campaigns and community programmes to extend our reach and deepen our impact.

For savers, we supported a broader range of needs, for example providing propositions such as our £50 Regular Saver with an enhanced interest rate, and our First Home Saver, designed to help support those starting to save.

We also improved how many customers stayed with us when their mortgage came to an end, with increased engagement for those approaching maturity, and the potential to lower monthly payments through product transfers.

These efforts contributed to a £1.1bn year-on-year increase in savings balances and a year on year gross lending increase of £0.1bn. Overall, we welcomed 76,000 new members to save with us, and helped just under 53,800 people into homes¹⁵.

¹⁵ Figures include all house purchases (first-time buyers, home movers, residential and commercial buy-to-let) and exclude remortgages and internal product transfers. Calculated by multiplying new mortgages by the average occupancy rate (ONS: 2.4). Full basis of reporting is detailed in the Sustainability Reporting Framework Index and Datasheet.



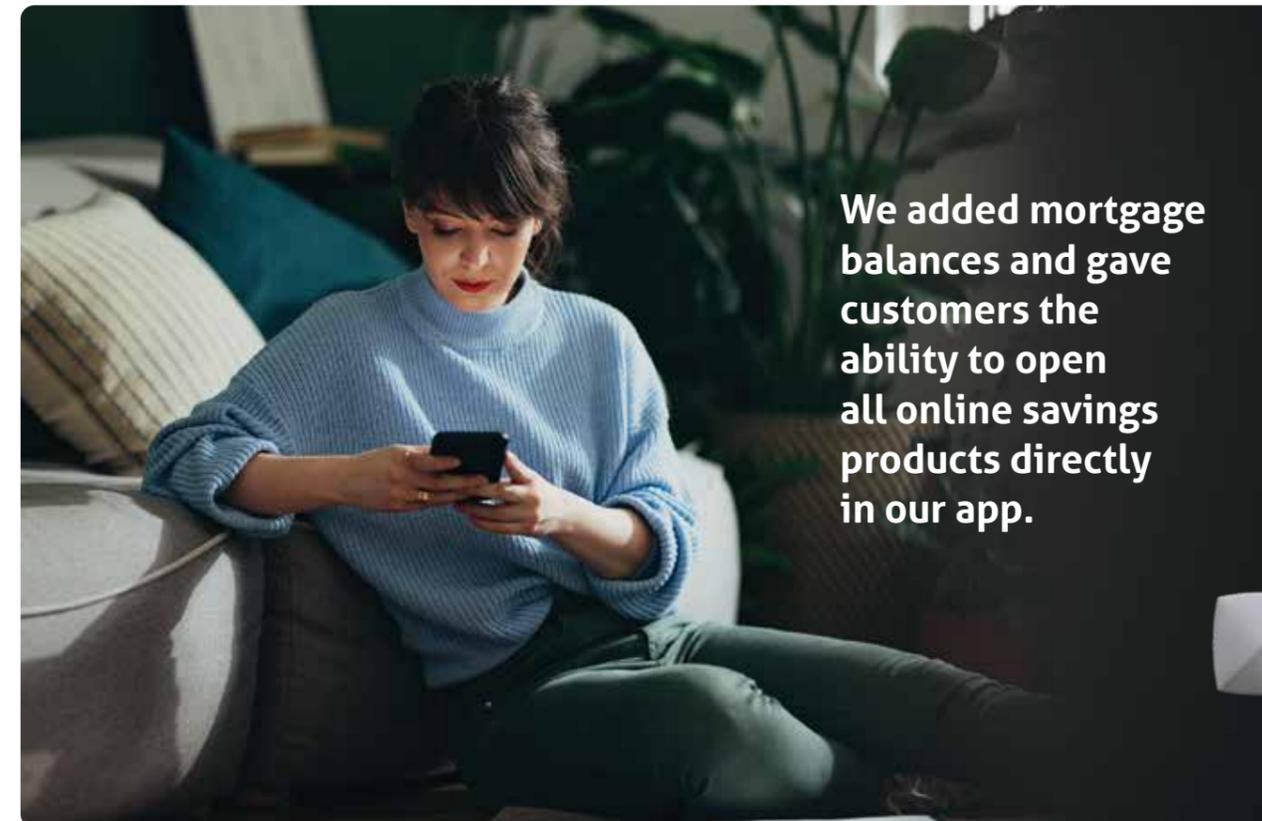
Create joyful experiences

We're committed to making every interaction – whether online, by phone or in person – easy, human and rewarding, and to showing members the difference their money makes.

It starts with making it simpler for customers to open savings accounts with us and deposit their funds. The number of our application forms was streamlined from 33 to three in 2025, making it much quicker for customers to deposit their savings with us. We also introduced real time processing of inbound faster payments, meaning 66% of all faster payment transactions are now handled instantly.

We also improved our service during the busy ISA season (March-April), increasing the availability of colleagues and extending opening hours in branch and via telephony channels, with an additional 942 extra appointments.

We've made significant improvements to our digital experience for both savers and borrowers, including simplifying our app login process while still maintaining security, adding mortgage balances and giving customers the ability to open all online savings products directly in the app. Almost 83,700 accounts were opened this way in 2025. Our overall NPS score - which measures whether customers would recommend our products and services to friends and family – increased in 2025 to +66 (2024: +64) – the highest we've ever recorded.



We added mortgage balances and gave customers the ability to open all online savings products directly in our app.



Cultivate an ambitious culture

Our four behaviours – We Reach for Better, We Care about People, We Say it Straight and We Make it Happen - remain integral to how we work. They help us to foster an ambitious culture to unlock pace and performance that helps us to deliver on our Purpose for the benefit of our members and customers. We've continued to embed the behaviours through guides and leadership cascade packs and recognise outstanding role models through our CEO Awards and Everyday Thanks scheme. In 2025 236 colleagues were nominated.

Our apprenticeship programme has gone from strength-to-strength. In 2025 we welcomed 36 new people from across the business to build capabilities in digital, relationship building, leadership, adaptability and data analytics. They're following in the footsteps of 39 people who completed their apprenticeship in 2025.

We also continued to support the development of future skills we believe are key to enabling the delivery of our strategy. This included tailored LinkedIn Learning pathways as well as bespoke internal learning content. We strengthened coaching capabilities and expanded our adaptability offering - key to fostering resilience, agility and pace, qualities essential for navigating successful change.



Build a future ready Society

Finally, we're focusing on building an organisation that's ready for what's to come and can deliver our Purpose and ambition. This includes improving our ability to scale, simplifying and optimising our processes and improving the maturity of our governance, risk, and control procedures. We continue to invest and enhance our financial crime, fraud monitoring and management processes to ensure greater protection for our customers.

In 2025 we reshaped our risk frameworks, launched a new enterprise risk platform, and strengthened the risk and control processes across our organisation. We also increased the pace of our finance transformation with delivery of replacement secured funding and treasury management systems.



In 2025, we delivered solid financial performance as we continued to fulfil our Purpose.

We further grew our balance sheet, with net lending of £2.2bn (2024: £2.9bn) and an increase in savings balances of £1.1bn (2024: £5.2bn). Profit, on a statutory basis, was broadly in line with last year and 23.4% higher on an underlying core operating basis. The main difference between statutory profit before tax and core operating profit is a £50.3m loss on fair value (2024: £36.2m gain), some of which relates to swaps not in a hedge accounting relationship. Liquidity and capital levels remain strong with significant headroom above regulatory and internal requirements.

The UK economy continued to demonstrate resilience despite wider global economic uncertainty. Volatility in interest rate expectations was a challenge throughout the year, and only stabilised in the final quarter as the Monetary Policy Committee continued to balance slow growth and a more relaxed labour market against persistent inflation. Bank Rate fell gradually during the year, with market sentiment suggesting we're nearing the end of the current downward rate cycle and only modest further reductions expected.

Against a backdrop of fiscal pressures and global geopolitical challenges, inflation crept up during the year, peaking at 3.8% in the autumn. While everyday costs remained elevated, wage growth was modestly higher than inflation, providing some relief to households. However, this was tempered by a softening labour market, with rising unemployment and fewer job vacancies limiting the extent of that improvement.

Competition in our core markets of mortgages and savings intensified over the year. In mortgages, larger lenders adopted more aggressive strategies, leading to front book margin compression. The savings market was characterised by customer preferences shifting towards fixed rate products, an active ISA season and heightened competition – particularly across the larger banks; all of which resulted in further margin compression.

Our deposits repriced faster than our mortgages due to their shorter-term and underlying interest rate basis. In this context, our structural hedge played a key role in supporting income, cushioning the impact of margin pressure from product repricing in a reducing rate environment.

We continued to grow both mortgage and savings balances steadily and sustainably, underpinned by disciplined pricing and risk management.

Our 2025 performance was achieved despite a number of headwinds, including a declining interest rate environment, the maturity of higher-margin, fixed rate mortgage products originated during the pandemic, and intensifying competition that has compressed both savings and mortgage margins. In addition, operating costs increased year-on-year, reflecting continued strategic investment and inflationary pressures on our cost base.

These headwinds are expected to persist over the near to medium term, continuing to place pressure on margins.

Our solid financial results have further strengthened our capital position, and our liquidity position remains strong and well above regulatory requirements. Importantly, we have delivered this performance while continuing to grow mortgage and savings balances sustainably and offering competitive rates that reward our members.

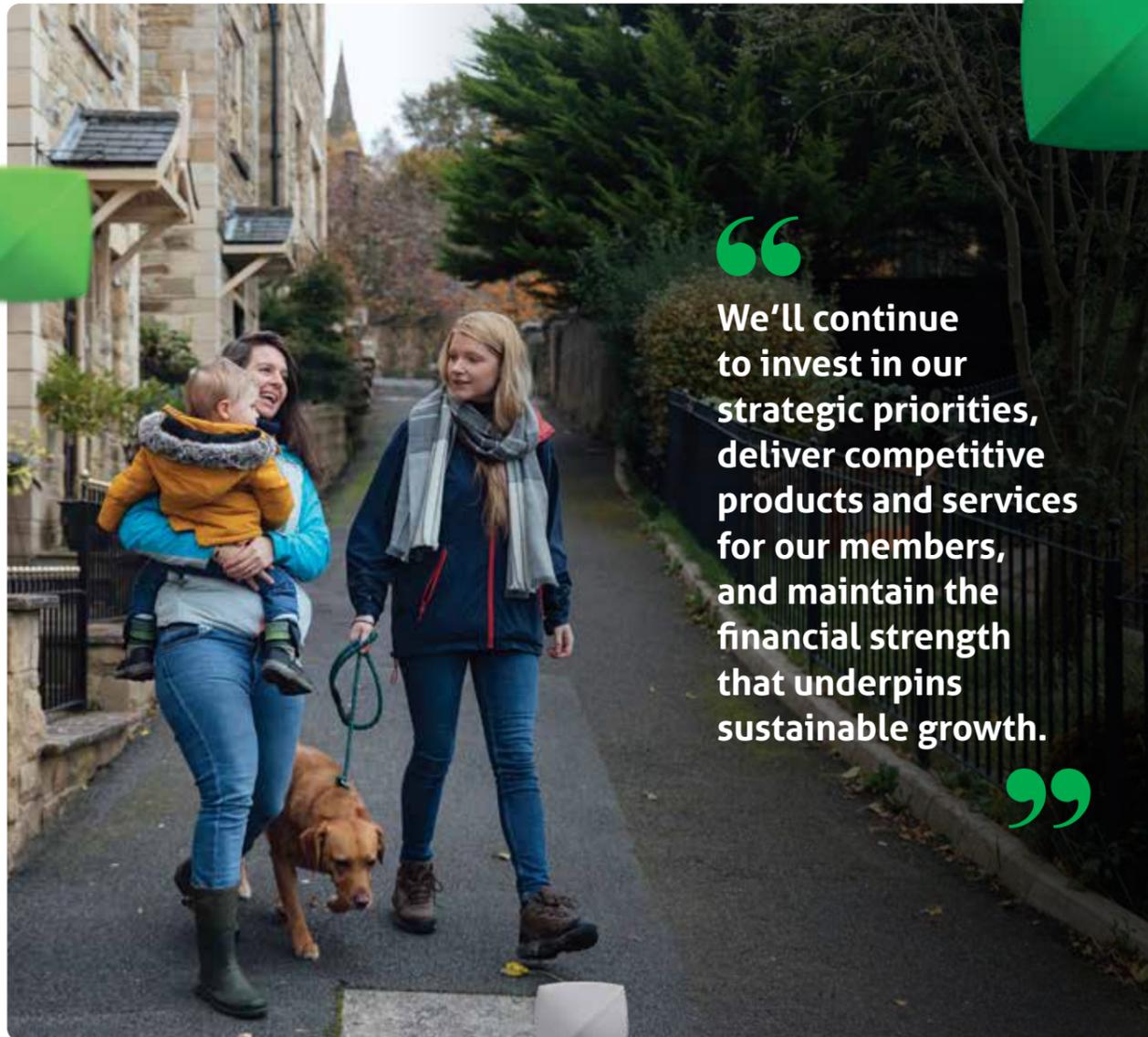
The figures below are consolidated amounts in respect of Yorkshire Building Society and its controlled entities ('the Group').

Financial Highlights:

- Profit before tax was £377.9m (2024: £383.7m), with core operating profit rising to £426.7m (2024: £345.7m). A reconciliation between profit before tax and core operating profit is shown on page 22.
- Net interest income increased by £133.3m to £869.8m (2024: £736.5m), representing an improved net interest margin of 1.32% (2024: 1.16%), supported by balance sheet growth and strong structural hedge performance.
- The cost-to-core-income ratio improved to 48% (2024: 51%), reflecting strong income growth, despite inflation and increased strategic investment. Costs in absolute terms increased in part due to increased investment of £18.9m, but also due to the continued growth of the business, inflation and investment in technology to support future resilience and efficiency. The impact is an increase in the management expenses ratio from 0.58% in 2024 to 0.62% in 2025.
- The quality of our lending is reflected by the level of our credit loss provisioning. Expected credit loss (ECL) coverage as a proportion of gross mortgage exposure remains at 0.1% (December 2024: 0.1%). The cost of risk, calculated as the impairment charge over the average balance for the year, was 0.02% (2024: 0.01%), reflecting a higher average risk profile within the Stage 2 population, which resulted in an increased ECL despite a reduction in gross exposure.
- Our average savings rate exceeded the market by 0.62pp (2024: 0.90pp), generating £313.0m in member value (2024: £430.2m). Member value typically widens when rates go up and contracts when rates go down, but our consistent outperformance highlights the strength of our proposition. Savings balances grew by 2.1% (2024:10.6%), reflecting the competitiveness of our rates and our commitment to rewarding loyalty.
- Our capital and liquidity positions remain strong, well above regulatory requirements and aligned with our risk appetite, supported by a stable Common Equity Tier 1 ratio of 18.8% (2024: 18.1%) and leverage ratio of 7.0% (2024: 6.6%).
- Our covered bond and residential mortgage-backed security (RMBS) issuances were both more than twice oversubscribed, demonstrating strong demand and the effectiveness of our funding strategy.



Alternative performance measures are defined in the Glossary on page 238-240



“
We’ll continue to invest in our strategic priorities, deliver competitive products and services for our members, and maintain the financial strength that underpins sustainable growth.
 ”

As we enter 2026, our focus remains on delivering our Purpose. We will do this by continuing to invest in our strategic priorities, delivering competitive products and services for our members, and maintaining the financial strength that underpins sustainable growth.

A key priority will be maintaining strong cost discipline including the realisation of benefits associated with strategic investment. With a solid foundation and a clear Purpose, we’re well-positioned to adapt, evolve, and thrive, creating long-term value to help our members come together to make good homes possible for more people in the years to come.

We are confident that our business model will allow us to continue to navigate the increased competition in our core markets and ongoing economic uncertainty.

Tom Ranger
 Chief Financial Officer

Savings performance

Savings	2025	2024
Savings balance growth	2.1%	10.6%
Savings balance growth	£1.1bn	£5.2bn
Average savings rate differential to the market average ¹⁶	0.62pp	0.90pp
Market share of retail savings balances ¹⁷	2.4%	2.5%

Delivering on our Purpose starts with our savers. We achieved stable growth in savings balances during the year, increasing them by £1.1bn (2024: £5.2bn), representing a growth rate of 2.1% (2024: 10.6%). Following a period of significant savings growth compared to mortgages, we actively chose to slow the rate of growth in 2025. Additionally, speculation around potential changes to ISA limits and Financial Services Compensation Scheme (FSCS) protection thresholds further fuelled market activity. This heightened competition occurred against a backdrop of a slowing UK savings market, driven by a lower interest rate environment.

While savings balances grew less quickly in 2025, we continued to deliver strong value to our members and customers through competitive savings rates. The composition of our savings book leans more heavily towards variable rate products than our peers, as a consequence our book has repriced faster than many of our peers. Our average savings rate premium over the market remained significant at 0.62pp (2024: 0.90pp), despite the lower rate environment. This translated into £313.0m in additional interest paid to our savers (2024: £430.2m), reinforcing our ongoing commitment to delivering meaningful value to members

Responding to change

The 2025 savings market was shaped by four Bank Rate reductions, continuing the trend from the second half of 2024. Bank Rate gradually reduced from 4.75% to 3.75%, after the peak of 5.25% in 2023 and 2024, causing variable rate savings across the market to edge lower.

We responded to these changes with a balanced approach, ensuring support for both new and existing members across both sides of the balance sheet.

Market-wide, it proved to be the busiest ISA season on record, with heightened competition and many of the most attractive fixed ISA deals offered by larger providers. Competition remained elevated following the ISA season but did not translate into higher market flows.

At the same time, concerns about the UK’s fiscal position and potential government measures to raise revenue shaped savers’ behaviour. Many chose to put more into ISAs, anticipating possible tax changes. Official data also pointed to a weakening in the UK economy, and households responded by saving a greater share of their income, preparing for the possibility of further pressure on real earnings.

As part of our commitment to financial wellbeing, we also relaunched the £50 Regular Saver, offering an attractive rate to encourage healthy savings habits. We remain focused on deepening our impact and supporting our members’ financial futures.

More information on supporting savers can be found in the Customers and members section of the Sustainability Report.

Mortgage performance

Mortgages	2025	2024
Gross lending	£9.9bn	£9.7bn
Net lending	£2.2bn	£2.9bn
Growth in mortgage balances	4.4%	6.2%
Market share of residential gross lending ¹⁸	3.3%	3.8%

Making good homes possible for more people remains central to our Purpose. In 2025, we delivered gross mortgage lending of £9.9bn, broadly consistent with the prior year (2024: £9.7bn), in a market that saw only modest growth. This performance reflected a gradual recovery in buyer confidence as interest rates eased, despite ongoing economic uncertainty, and included strong support for first-time buyers as they continued to face affordability challenges.

Competitive pressures witnessed in H2 2024 continued throughout 2025, resulting in lower mortgage margins across the market. Lending momentum gathered pace through the year, thanks to competitive pricing, enhanced propositions and our decision to pass on 100% of the Bank of England Bank Rate reduction to our variable rate mortgage customers. We were also among the first lenders to update our loan-to-income limits following new regulatory guidance, helping to maintain responsible lending while supporting customers’ home ownership ambitions.

Changes to the Stamp Duty Land Tax in April meant more buyers were liable for tax than under previous temporary reliefs, which increased the volume of transactions ahead of the change, and subsequently dropped off afterwards.

¹⁶ YBS Group average savings rate compared to Rest of Market average rates. Source: CACI’s Current Account and Savings Database (CSDB), Stock. Data period December 2024 – November 2025 (being latest available).

¹⁷ Source: YBS analysis of BSA Household savings. Data period January – December 2025.

¹⁸ Based on Bank of England total industry gross lending. Data period January – December 2025.

Market share

2025 saw a highly competitive mortgage market, with the majority of the larger lenders choosing to reduce margins in an attempt to increase market share. Lending criteria enhancements continued at pace, with the July 2025 regulatory relaxation of loan-to-income limits being quickly adopted by some lenders, further increasing competition.

As a result, the residential mortgage market grew at a faster rate than in 2024 and average annual UK house prices increased by around 2.5% overall.¹⁹

Our market share of gross lending of 3.3% (2024: 3.8%) was underpinned by the strength of our mortgage propositions and a disciplined approach to lending and pricing. Net lending totalled £2.2bn (2024: £2.9bn), reflecting a higher level of maturities.

Throughout, we remained focused on sustainable growth, carefully balancing volume and margin, while continuing to support our members and customers in achieving home ownership.

More information about how we're helping people into homes can be found in the Customers and members section of the Sustainability Report.

Summary Income Statement

£m		2025			2024		
		Statutory	Remove non-core items	Core	Statutory	Remove non-core items	Core
Net interest income	i	869.8	(1.3)	868.5	736.5	(2.4)	734.1
Fair value gains and losses	ii	(50.3)	50.3	-	36.2	(36.2)	-
Net realised gains		0.7	-	0.7	0.2	-	0.2
Other income and expenses	iii	(26.2)	(0.3)	(26.5)	(21.1)	(0.2)	(21.3)
Total income/core income		794.0	48.7	842.7	751.8	(38.8)	713.0
Management expenses		(407.6)	-	(407.6)	(366.6)	-	(366.6)
Impairment of financial assets		(8.5)	-	(8.5)	(0.2)	-	(0.2)
Movement in provisions	iv	-	0.1	0.1	(1.3)	0.8	(0.5)
Profit before tax/core operating profit		377.9	48.8	426.7	383.7	(38.0)	345.7

The notes below explain the adjustments made to statutory profit before tax to arrive at core operating profit:

- i) Historical fair value credit adjustments on acquired loans.
- ii) Removed fair value volatility i.e. gains and losses on derivatives, and on non-core equity investments.
- iii) Profit/(loss) on the sale of fixed assets and on the disposal of intangible assets.
- iv) Non-core elements of the restructuring provision.

Core operating profit

Core operating profit increased to £426.7m in 2025 (2024: £345.7m), reflecting the strength and resilience of our underlying business model. This measure, which excludes fair value volatility and other non-core items, provides a clearer view of our operational performance and is a key indicator used by the Board to assess our organisation's financial health.

The uplift in core operating profit was primarily driven by strong growth in net interest income, supported by balance sheet expansion and the continuing contribution of our structural hedge. At the same time, we maintained a disciplined approach to cost management, even as we increased investment in strategic initiatives to support long-term growth and transformation.

Our cost-to-core income ratio improved to 48% (2024: 51%), demonstrating our ability to grow income while managing our cost base effectively. This performance reinforces our commitment to delivering long-term value for members while maintaining financial strength and operational efficiency.

Net interest income

Net interest income rose to £869.8m in 2025 (2024: £736.5m), representing a higher net interest margin of 1.32% (2024: 1.16%). This improvement reflects continued balance sheet growth and strong performance from our structural hedge, which contributed £437.0m in gross interest income (2024: £376.7m).

The structural hedge is a key part of our balance sheet management, helping to maintain stable income by utilising the natural offset in interest rates between the Society's fixed rate mortgages and savings. This approach supported solid performance despite heightened competition across both mortgages and savings markets.

In line with our mutual values, we adopted a balanced pricing strategy that carefully considered profitability, sustainable growth, and member value. During the year, we reduced savings rates by less than the decrease in Bank Rate on variable rate products, but fully on variable rate mortgage products. This approach, in combination with the impact of the structural hedge, supported income stability while continuing to provide competitive value for our members.

Fair value gains and losses

A fair value loss of £50.3m was recorded in 2025 (2024: £36.2m gain). The year-on-year movement primarily reflects volatility in swap rates, which declined over the period as markets adjusted their expectations for future interest rate levels, including the impact of four Bank Rate cuts totalling 1.00%, alongside broader changes in the UK and global economic outlook. A significant part of our fair value losses relates to derivatives not included in hedge relationships, where there is no offsetting item available.

This fair value volatility explains the divergence between core operating profit and statutory profit in the year. Core operating profit increased by £81.0m, demonstrating strong underlying performance, whereas profit before tax decreased by £5.8m. The difference is driven by fair value losses, which are excluded from core operating profit to provide a clearer view of the Group's operational performance and to remove short-term market fluctuations. In total, fair value movements resulted in a £50.3m loss in 2025. The largest driver was the reversal of gains on unmatched positions recorded in 2024, which significantly amplified the year-on-year swing.

We continue to monitor and reduce our exposure to instruments not in hedge relationships. More detail on fair value gains and losses in the period are available in Note 5.

Other income and expenses

Other income and expenses resulted in a net cost of £26.2m in 2025 (2024: £21.1m cost), primarily driven by commission payments of £21.5m (2024: £23.3m) to our agency network, which continues to serve as a key distribution channel. This line also includes income from secondary business activities, such as insurance broking commissions. However, insurance-related income declined significantly in 2025 following our decision to stop earning commission on new home and life insurance products. This strategic shift was made to reposition insurance offerings as a member benefit, aimed at deepening customer relationships and delivering greater value to them.

¹⁹ <https://www.gov.uk/government/statistics/uk-house-price-index-for-november-2025/uk-house-price-index-summary-november-2025>

Management expenses

Overall management expenses were £407.6m in 2025 (2024: £366.6m), an increase of £41.0m. The most significant element of the increase related to our continuing strategic investment (the OnePlan Programme) which totalled £88.6m in 2025, an increase of £18.9m from £69.7m in 2024. This year-on-year increase includes investment in a number of key strategic areas, most notably in technology simplification, Data, Treasury management systems and an investment in reviewing the overall Society culture and organisational effectiveness. These investments are all anticipated to deliver material enduring savings for the Society, starting in 2026.

Business as usual management expenses increased by 7% compared to 11% in the prior year. Material increases in people costs have arisen due to higher-than-typical pay awards to colleagues aligned to increases in the wider market, an increase in headcount reflecting the growth in operational scale of the business and an increase in the rate of Employers National Insurance, incremental regulatory fees and additional Bank Rate mailing costs with four rate changes in 2025 vs. two in 2024.

Summary Balance Sheet

£bn	2025	2024
Liquid assets	13.5	14.6
Loans and advances to customers	51.9	49.7
Fair value adjustment for hedged risk on loans and advances to customers	0.0	(0.5)
Other assets	0.9	1.7
Total assets	66.3	65.5
Shares ²⁰	52.9	52.0
Wholesale funding and other deposits ²¹	7.3	7.3
Subordinated liabilities	1.5	1.5
Other liabilities	0.4	0.7
Total liabilities	62.1	61.5
Members' interest and equity	4.2	4.0
Total members' interest, equity, and liabilities	66.3	65.5

²⁰ Shares in the summary balance sheet includes the fair value adjustment for hedged risk on shares of £27.3m (2024: £1.0m).

²¹ Within 'wholesale funding and other deposits' are £1.1bn of retail savings deposits not classed as shares (2024: £0.9bn).

Despite the increase in costs, we maintained disciplined cost management, ensuing spending was directed towards initiatives that deliver the greatest value for members and customers while supporting our long-term strategy. The cost-to-core income ratio reduced to 48% - a three-percentage point improvement year-on-year, underpinned by strong income growth and continued focus on managing our cost base effectively.

Impairment of financial assets

A total net impairment charge of £8.5m (2024: £0.2m charge) was recorded in the period, with the year-on-year increase driven by a higher average risk profile within the Stage 2 ECL population.

More information on the impairment of financial assets can be found in Notes 2 and 7 to the financial statements.

Provisions

There were no movements in provisions in the year (2024: £1.3m charge).

We delivered steady and balanced growth across both our mortgage and savings portfolios during the year. Mortgage growth outpaced savings, helping to rebalance our funding position after the imbalance observed between 2022 to 2024, when net savings inflows significantly exceeded net mortgage lending.

As at 31 December 2025, the retail loan-to-deposit ratio stood at 96.2% (2024: 94.0%), reflecting a more proportionate alignment between lending and funding activities. This supports a resilient balance sheet structure and ensures we remain well-positioned to meet member needs while maintaining prudent liquidity and funding risk management.

Liquidity

We conduct an internal liquidity adequacy assessment process (ILAAP) at least annually to ensure that the Society holds sufficient levels of liquidity under both business-as-usual and severe but plausible stress conditions. The ILAAP also ensures that we have adequate governance and controls to manage liquidity risks arising from the Society's business model.

Liquidity levels remained strong throughout 2025, with significant headroom maintained above both regulatory and internal thresholds. As at 31 December 2025, the liquidity balance sheet ratio stood at 22.5% (2024: 24.6%), while the Liquidity Coverage Ratio (LCR) improved to 238.7% (2024: 202.7%), reflecting our continued focus on prudent liquidity management.

The liquidity asset portfolio remains conservatively positioned, comprising predominantly of exposures to the Bank of England and UK Government securities, in line with the Group's balance sheet strategy and risk appetite.

High-quality liquid assets (HQLA) totalled £13.1bn at year-end (2024: £13.7bn), including £6.0bn in cash reserves, £6.8bn in AAA-rated assets, and £0.2bn in assets rated between AA+ and A. This composition supports a robust liquidity profile and ensures we remain well-placed to meet member needs under a range of stress scenarios.

Loans and advances to customers

The mortgage book grew by 4.4% in 2025 (2024: 6.2%). The credit quality of the mortgage book continues to be monitored monthly using a range of indicators. A key measure is the proportion of outstanding retail mortgage balances in arrears by three months or more (including possessions). The quality of our book remains strong, with 0.46% of balances in arrears by value (2024: 0.43%).

The industry average for retail mortgage arrears is measured by the number of accounts in arrears by three months or more (including possessions). At 0.52% (2024: 0.50%), our performance continues to be better than the industry average of 0.88% (2024: 0.97%). Further details on arrears are provided in the Directors' Report and note 31 to the financial statements.

While no material deterioration in credit performance has been observed, risks remain, and arrears levels will continue to be closely monitored through our established risk-management processes. Affordability and cost-of-living pressures may also influence the mortgage book, particularly if future house price movements begin to reflect these challenges.

In line with our lending strategy, we've seen an increase in the proportion of our book with higher indexed loan-to-value (LTV) ratios. As of December 2025, 9.7% of the retail mortgage book had an indexed LTV greater than 85% (2024: 9.4%). The average indexed LTV increased slightly to 51.7% (December 2024: 50.9%).

Wholesale funding

Wholesale funding markets remained relatively stable throughout 2025, enabling the successful issuance of one covered bond and one residential mortgage-backed security (RMBS). The RMBS marked the second transaction through the White Rose Master Issuer, a single special-purpose vehicle designed to streamline and simplify the issuance process. Each transaction was over two-times subscribed, reflecting strong investor demand and the effectiveness of our investor engagement strategy. These issuances are aligned with our ongoing objective to maintain a presence in core funding markets and ensure access to a diversified range of funding sources.

Capital

Introduction to capital

We hold regulatory capital to provide financial sustainability for our members and other creditors by protecting against unexpected losses.

Regulatory capital resources encompass general reserves and subordinated liabilities, both of which are subject to regulatory adjustments.

The capital disclosures included in this report have been prepared in accordance with the UK Capital Requirements Directive V (UK CRD V), bound by regulatory requirements from the UK Capital Requirements Regulation (CRR). The disclosures have been prepared on a consolidated Group basis, including all subsidiary entities, unless otherwise stated.

We are subject to regulatory capital requirements established by the Prudential Regulation Authority (PRA) in the United Kingdom. We have complied with the PRA's regulatory capital requirements during the year. Further details of our capital position can be found in the 2025 Pillar 3 Disclosures. The ratios, deductions, and definitions below have been provided in accordance with CRD V regulations.

Management of capital (audited)

Capital risk is managed via a Board-approved Capital Policy and risk appetite framework. We manage capital to comply with regulatory requirements and risk appetite levels, to support our strategic objectives for sustainable growth.

The Asset and Liability Committee ('ALCO') is the governance committee with responsibility for capital management. Under its delegated Board authority, it retains responsibility for monitoring our capital adequacy and recommending/approving actions as appropriate.

We perform an internal capital adequacy assessment process (ICAAP) at least annually to ensure that we hold sufficient capital and have adequate governance and controls to manage the risks to capital arising from our business model. The ICAAP considers severe but plausible stress scenarios.

In addition, we identify our point of non-viability (PoNV) to understand the possible scenarios and risk drivers that could lead to the potential failure of our organisation, and to assess whether sufficient mitigations are in place.

Capital ratios

Our CET1 ratio at year-end 2025 stood at 18.8%, showing an increase from the prior year (2024: 18.1%). Our UK leverage ratio increased to 7.0% (2024: 6.6%). The CET1 ratio remains comfortably above regulatory requirements and risk appetite.

Minimum requirement for own funds and eligible liabilities (MREL)

The minimum requirement for own funds and eligible liabilities (MREL) is a regulatory requirement designed to make sure institutions have sufficient loss absorbing and recapitalisation capacity in the event of a resolution scenario. The MREL requirements can be met by regulatory capital resources and MREL eligible resources, such as Senior Non-Preferred (SNP) liabilities.

Our MREL Risk Weighted Asset (RWA) ratio at year-end stood at 25.2%, compared to the prior year's position of 24.6%. As the only applicable measure, this represents the Society's binding MREL ratio.

Capital outlook

We are committed to maintaining a robust capital position, aligned with regulatory requirements and evolving market conditions. The implementation of Basel 3.1 is a significant focus for us, with the leverage ratio framework (LREQ) not expected to be binding until we average £75bn of retail deposits over a three-year period.

The Basel 3.1 reforms, aimed at enhancing the risk sensitivity and increasing the transparency of capital requirements, will take effect across the UK in 2027. These updates will lead to adjustments in the calculation of RWAs, particularly in areas such as credit risk, counterparty credit risk, and operational risk.

We're well-positioned to comply with these enhanced requirements, having historically maintained a conservative approach to capital management. We continue to hold capital levels comfortably above regulatory minimums, and the implementation of Basel 3.1 is not expected to materially affect our ability to meet these obligations. Based on current projections it is expected that our capital ratios will improve under the Basel 3.1 regime, with capital surplus broadly neutral.

In addition to risk-based capital requirements, the leverage ratio framework, while not expected to become binding in the near term, remains an important consideration in our medium-term capital planning, particularly as we monitor progress toward LREQ status.

When we reach LREQ status (£75bn in retail deposits) we will become subject to a minimum regulatory requirement of 3.25%, plus the UK's countercyclical leverage buffer. It is not projected for us to reach this threshold within the next 5 years, which to be binding would need us to average £75bn of retail deposits over a three-year period.

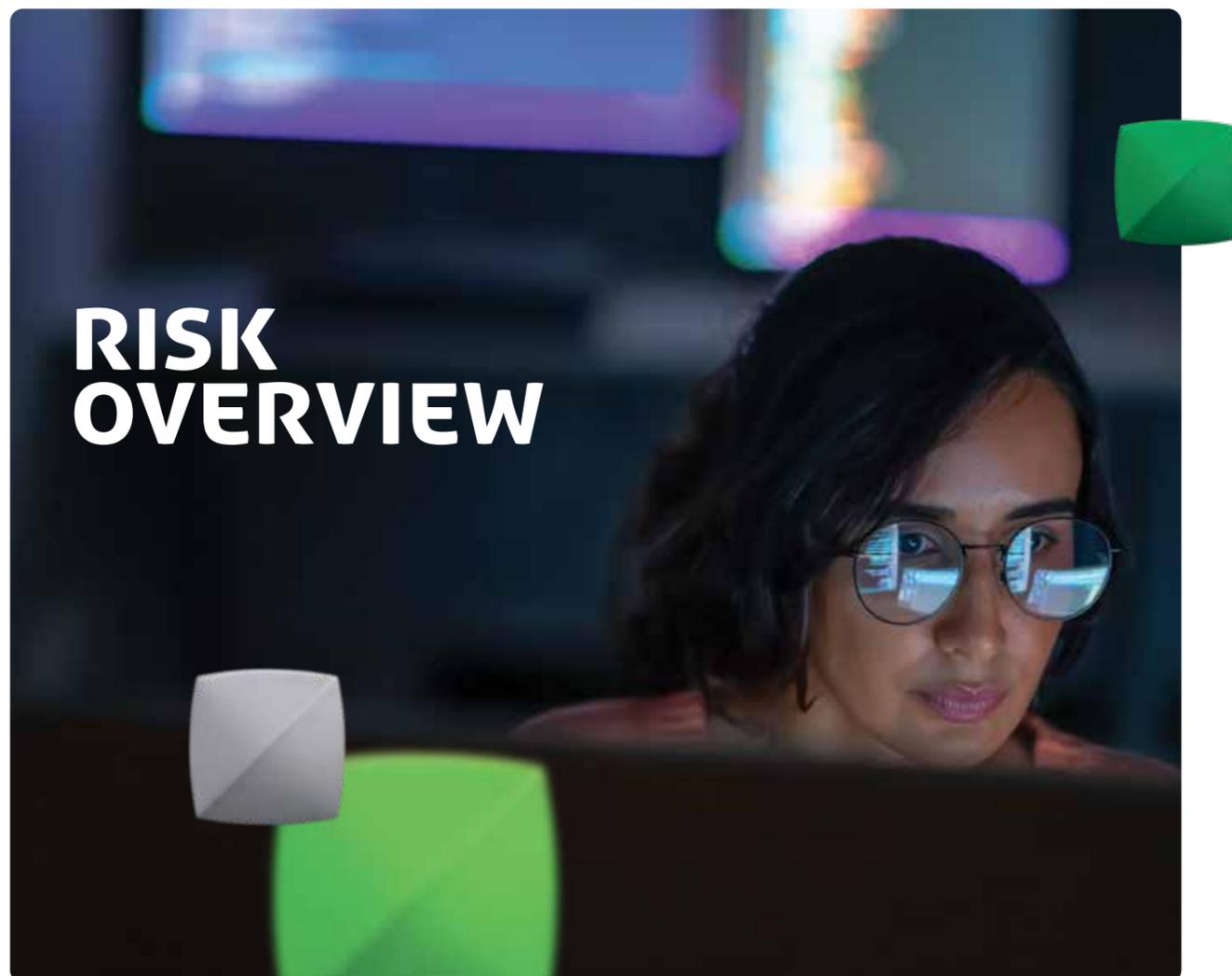
Despite this, our strong capital position reflects compliance with the minimum leverage ratio requirement. We continue to monitor the impact of LREQ on our balance sheet and capital buffers to support our strategic objectives while remaining compliant with regulatory demands.

We anticipate our capital adequacy and leverage ratios to remain strong, driven by prudent management, rigorous stress testing, and our overall risk appetite. This will support us in adapting to the evolving requirements of Basel 3.1 and LREQ, once applicable, while maintaining sustainable growth.

	2025 £m	2024 £m
Common Equity Tier 1 (CET1)		
General reserve*	4,253.2	3,981.5
Fair value through other comprehensive income reserve	(14.5)	(19.3)
Cash flow hedge reserve	(3.0)	7.0
Common Equity Tier 1 prior to regulatory adjustments	4,235.7	3,969.2
Common Equity Tier 1 regulatory adjustments		
IFRS 9 transitional arrangements	-	-
Pension fund adjustments	(20.3)	(23.8)
Intangible fixed assets	(15.0)	(16.1)
Prudent valuation adjustment	(7.6)	(9.3)
Cash flow hedge reserve	3.0	(7.0)
Total Common Equity Tier 1 capital	4,195.8	3,913.0
Tier 2		
Subordinated liabilities	141.8	195.5
Collective provisions for impairment	-	-
Total Tier 2 Capital	141.8	195.5
Total capital (audited)	4,337.6	4,108.5
MREL Resources (unaudited)		
Secondary Non-Preferential Liabilities	1,181.3	1,147.7
Tier 2 MREL Eligible	120.6	68.2
Total MREL Resources (unaudited)	5,639.5	5,324.4
Risk weighted assets (unaudited)	22,365.0	21,673.5
Common Equity Tier 1 capital ratio*	18.8%	18.1%
Tier 1 ratio**	18.8%	18.1%
Total capital ratio*	19.4%	19.0%
Total MREL Resources ratio*	25.2%	24.6%
CRR Leverage ratio*	6.3%	6.1%
UK Leverage ratio (excluding claims on central banks)*	7.0%	6.6%

* Includes all entities in the YBS Group, as disclosed in Note 8 to these financial statements, with the exception of the subsidiary Yorkshire Key Services Limited (YKS). YKS is a non-trading subsidiary and, as its operations were non-financial in nature, it is outside the scope of CRD IV for capital purposes.

** Ratios are unaudited.



The environment in which we operate and the nature of the risks that we face are continually evolving.

Effective risk management is fundamental to making sure we achieve sustainable growth and keep the trust of our members, customers, colleagues and regulators. In 2025 we've invested in our risk capabilities to make it easier for colleagues to deliver effective risk management by consolidating key enterprise-wide risk processes and data onto a single industry standard platform that gives them everything they need in one place. This has been supported by risk operating model changes and clearer accountabilities; the Enterprise Risk Management Framework (ERMF) has been enhanced to ensure consistent high-quality outputs and improved training & support.

How we manage risk

We categorise the emerging and evolving risks that we face in the eight principal risks defined in our Enterprise Risk Management Framework, which ensures we identify, assess, and manage risks carefully and consistently.

The most significant emerging and evolving risks are reviewed regularly through our senior risk committees and are considered during our business planning processes.

We continue to monitor the effectiveness of, and invest in, our risk management capabilities, to make sure timely and appropriate action is taken to protect the interests of our organisation and our members and customers.

Our robust risk management framework, strong capital position, diverse funding sources, and high liquidity levels mean we can be confident in our financial and operational resilience.

Top emerging and evolving risks

Emerging or evolving risk	Principal risk(s)	Commentary
Our strategy and the external environment	<ul style="list-style-type: none"> ■ Strategic risk ■ Financial risk 	<p>Our core markets of savings and mortgages are highly competitive. Macroeconomic forces are changing. The banking landscape is changing, so it is important that we operate a responsible and sustainable business on our members' behalf. We continue to assess and monitor business model risks and macro-economic trends and their potential impact, to ensure long-term sustainability.</p> <p>We regularly monitor, assess, report and manage the most material risks to our strategy as part of our Enterprise Risk Management Framework (ERMF), and through our strategy and planning processes. This includes: effective cost controls, ensuring investments are prioritised to the areas that will deliver most for our members and customers, and stress-testing our capital and liquidity positions and ratios regularly to remain within the Board-approved risk appetite.</p>
Cybersecurity	<ul style="list-style-type: none"> ■ Operational risk 	<p>The cybersecurity threat to the UK financial services industry continues to grow, originating from both organised crime groups and nation state operators. 'Threat actors' - individuals or groups that intentionally cause harm digitally - are becoming ever more invasive and sophisticated in their approaches, with ransomware and exploiting vulnerabilities now key threats.</p> <p>Resilience to such threats, and an ability to respond effectively in the event of an attack, remain essential. We continue to invest in, enhance and test our cyber threat monitoring and response capability to protect our organisation and our members and customers, and maintain the confidence of our regulators.</p> <p><i>More details of our approach are available in the Sustainability Report, Responsible Business Foundations section.</i></p>
Fraud	<ul style="list-style-type: none"> ■ Operational risk ■ Conduct risk 	<p>Criminals are becoming increasingly sophisticated in targeting consumers. Typical frauds in financial services include phishing, identity theft, account takeovers and scams.</p> <p>We continue to invest in and upgrade our fraud prevention and monitoring controls to help protect our members and customers from becoming victims of fraud.</p> <p><i>More details of our approach are available in the Sustainability Report, Responsible Business Foundations section.</i></p>
Economic impact on our customers	<ul style="list-style-type: none"> ■ Credit risk ■ Conduct risk ■ Financial risk 	<p>We are alert to economic pressures on customers, as unemployment and economic uncertainty persist. Despite lower mortgage costs year-on-year, they remain much higher than they were five years ago, potentially leaving some household and business finances strained.</p> <p>For new lending, we use an affordability model which applies a stressed interest rate, reviewed at least every six months, to ensure that customers could afford their mortgage payments at a higher rate. Our lending criteria balances the level of risk with lending responsibly to deliver good customer outcomes, minimise arrears and comply with Consumer Duty regulations. For existing borrowers facing financial difficulty, we offer support options, including forbearance.</p>
Technology resilience	<ul style="list-style-type: none"> ■ Operational risk ■ Change risk 	<p>Reliable and cost-effective IT infrastructure is vital to deliver the level of service our members, customers, colleagues and regulators expect. As IT components age, their health and value deteriorate and the risks they pose to security and resilience increase.</p> <p>We therefore continue to modernise and simplify our IT infrastructure to ensure it remains resilient and secure. This includes ongoing evaluations and trials of where further AI technologies could be implemented in a safe and secure way.</p> <p><i>More details of our approach are available in the Sustainability Report, Responsible Business Foundations section.</i></p>

Top emerging and evolving risks (continued)

Emerging or evolving risk	Principal risk(s)	Commentary
Colleague Talent and retention	<ul style="list-style-type: none"> People risk 	<p>Attracting and retaining talented colleagues to deliver our strategy is vital. We continue to need to compete for certain skillsets, including credit risk, internal audit and technology services/infrastructure.</p> <p>Effective resource planning, forecasting and succession planning remain priorities and are at the core of our People Plan which was refreshed at mid-year.</p> <p><i>More details of our approach are available in the Sustainability Report, Colleagues section.</i></p>
Delivering our Strategy	<ul style="list-style-type: none"> Change risk Strategic risk 	<p>We continue to deliver change to support the next phase of our growth and realise our strategy. While our foundations continue to mature, the pace of change across technology, customer expectations, and regulatory requirements means we must evolve to stay competitive and sustainable.</p> <p>We are investing in our change risk capability through regular training and implementation of new change risk capabilities included in the new Change Operating Model which will go live in Q1'26, with the build progressing through the rest of the year.</p> <p>We make essential changes when necessary to remain aligned with the needs of our members and communities, guided by a regularly reviewed and robust Risk and Control Framework. Recently, this saw us refresh our Tier 1 Change Risk Policy to strengthen change risk management.</p>
Consumer Duty	<ul style="list-style-type: none"> Conduct risk Strategic risk 	<p>We operate in a dynamic regulatory landscape shaped by the FCA's Consumer Duty, ensuring good outcomes across vulnerable customers, arrears management, and complaints handling. We've focused on ensuring we operate within risk appetite across key areas, with an improved and stable position now achieved.</p> <p>Our focus has shifted from embedding compliance to actively embracing the Duty as a driver of continuous improvement, responding quickly to emerging risks and using data and insight to further strengthen customer outcomes.</p> <p><i>More details of our approach are available in the Sustainability Report, Responsible Business Foundations section.</i></p>
Climate change	<ul style="list-style-type: none"> Credit risk Operational risk 	<p>The main risks for us from climate change are in the physical risks to our members and customers' properties - such as from flooding, subsidence, and coastal erosion – and transitional risks, such as changes in energy efficiency regulation.</p> <p>We continue to develop our environmental and climate change risk management capabilities to ensure that we align with industry good practice and meet reporting and disclosure requirements.</p> <p><i>More details of our approach are available in the Climate risk and opportunity management section.</i></p>



Through our social and environmental action, we make sure our business is built to deliver our Purpose in a way that's meaningful, credible and creates long-term value for people and the world around us.

From the products we offer and the service we give, to the way we operate and the decisions we make, sustainability is woven throughout our business.

An evolving sustainability strategy

In 2025 we continued to concentrate on four key focus areas: Providing a Place to Call Home, Improving Financial Wellbeing, Investing in our People and Building a Greener Society, underpinned by a fifth, Operating Responsibly. These priorities shaped our actions and reporting, enabling us to deliver meaningful progress.

As we evolve our sustainability reporting to reflect our redefined Purpose, these four priorities have been reframed to cover: Customers and Members, Communities, Climate and Colleagues.

You can read more about each of these in the Sustainability Report.

Defining our new approach

Our sharpened Purpose provided the foundations for a more defined approach to social and environmental sustainability.

At the end of 2025, our Board reviewed and supported a revised sustainability approach. This update reflects our prior materiality assessments, stakeholder research and a comprehensive review of the external environment – including the housing, climate and social cohesion crises that continue to shape a challenging environment for our members and customers.

In 2026 we'll continue to shape our approach and as part of this will update our materiality review and impact assessment, in line with the requirements of the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking²³. This will ensure we identify and assess our most material risks and opportunities, focusing our activity where we can deliver the greatest impact.

²³ <https://www.unepfi.org/banking/bankingprinciples/>

Customers and members



As a building society, we don't have shareholders. We're owned by our members, so we reinvest in products and services that help people to save and take steps towards a good home.

Whether it's through our app, online or in-person through our branch and agency network, we're there when people need us.

Being the number one choice for savers

Putting our Purpose into action starts with being the number one choice for savers. By delivering great service, fair rewards and products that work for our members, we create a collective effort that is good for members and good for society.

Across all of our accounts, in 2025, we supported over 76,000²⁴ new customers to save to help boost their financial resilience.

For some people, saving can be hard. That's why some of our accounts are designed to help people take the first step, and others encourage them to establish a savings habit.

In 2025, some of our accounts included:

- **Rainy Day Account** – a limited access product that gives savers the opportunity to earn a higher rate of interest on their first £10,000.
- **Christmas Regular Saver** – for the fourth year, we helped people to plan ahead for an expensive season.
- **Regular Saver** – we helped people to save little and often to encourage healthy savings habits. We extended our range of regular saver accounts with the launch of the £50 Regular Saver in September, in addition to our Loyalty Regular Saver which rewarded members with an enhanced interest rate.

Building financial resilience

Research we commissioned with the University of Bristol's Personal Finance Research Centre and other providers found people who save consistently feel more in control, even when saving small amounts.

Households with a regular savings habit are 70% less likely to fall behind on bills than non-savers and savers are significantly more likely to own their own home too. These are just a few of the many findings that show how saving can help, but you can find more details about the research in our report, *The role of savings in building longer term financial security*.²⁵

People manage their money in different ways, so we have a range of accounts to meet varying needs. Some support people to take the first step to saving, others encourage them to establish a savings habit with regular deposits, and our ISAs offer a tax efficient way to protect hard earned savings.

Making good homes possible for more people

When our members come together, we're able to make good homes possible for more people, whether owned or rented.

Across all our residential, buy-to-let, including commercial buy-to-let, we helped just under 53,800 people into homes²⁶.

Supporting first-time buyers

Buying a home is one of life's greatest expenses, so to help people we have a range of support available, in addition to competitive high LTV mortgages and products like our £5k Deposit Mortgages.

Our partnership with Doshi, a digital financial education tool, walks through the homebuying process to help first-time buyers be more confident, and our First Home eSaver account aims to help people get to the end goal sooner.

In total, our support for first-time buyers meant a total of more than 26,300 people bought their first home in 2025 (2024: 23,300).

Supporting renters

We know not everyone wants to, or can, buy a home, so we lend to landlords through our Accord Mortgages and YBS Commercial brands.

We make sure renters have access to houses in good condition, and we take responsibility for making sure they're well maintained both inside and out. Our panel of valuers only accept buy-to-let houses that are fit for a mortgage, can get insurance and are sellable. That means all our new lending is on rental homes that at least meet, but ideally exceed, the government's Decent Homes Standard (DHS), giving renters some comfort that the place they call home is of a good quality.



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In total, our support for first-time buyers meant a total of more than 26,300 people bought their first home in 2025.
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²⁴ This excludes fixed rate products and loyalty products.

²⁵ https://www.bristol.ac.uk/media-library/sites/geography/pfrc/documents/The_role_of_savings_in_building_longer_term_financial_security.pdf

²⁶ Figures include all house purchases (first-time buyers, home movers, residential and commercial buy-to-let) and exclude remortgages and internal product transfers. Calculated by multiplying new mortgages by the average occupancy rate (ONS: 2.4). Full reporting basis is detailed in the 2025 Sustainability Reporting Framework Index and Datasheet.

Responsible lending

We lend with common-sense, but we do it responsibly. It's an approach that's well-known and respected by borrowers, and brokers.

We go beyond traditional lending policies because our Purpose is more than standard lending. To truly give real help with real life, we support people who need access to finance but don't always fit conventional criteria.

When reviewing credit appeals, we take a holistic approach. For example, we look at the reasons behind missed payments rather than treating all adverse credit the same. A single late phone bill, alongside consistent rent and utility payments, tells a very different story from persistent non-payment.

We also consider variable income patterns. Many professionals, such as nurses and doctors, regularly work overtime, which effectively guarantees additional earnings even if their base salary appears modest. By recognising this, we make decisions that reflect a customer's true financial position and resilience.

We still review credit history and income, and stress-test for future changes, but every application is assessed on its own merits. Our underwriters are trained to use discretion to help people where others might not. Common appeals include credit blips with mitigating circumstances or reliance on more than 60% variable income. We're here to consider those situations fairly—not automatically decline them. In 2025, 29.3% of applications benefited from this support.

Improving the housing market

We support any effort by the government to create a fairer, more reliable housing market that contributes to making good homes possible for more people – whether owned or rented.

The government continued to push ahead with major housing reforms, including plans to overhaul the leasehold system through the proposed Leasehold and Commonhold Reform Bill, which builds on the Leasehold and Freehold Reform Act 2024. It aims to give homeowners more control by promoting commonhold as a fairer alternative to leasehold, reducing issues such as high service charges and short leases.

We're closely monitoring both proposals and reviewing the draft reforms to understand how they might impact our members and customers, and we contributed to the home buying and selling consultation.

Providing personal support

We offer a national branch and agency network, a Bradford-based customer service centre, and we've invested in our digital services to improve our web and mobile experience. This gives the convenience of services on-the-go, whilst also knowing we have real people available for moments that matter.

To make sure we invest members' money wisely, and in locations where there's a demand, at the end of 2025 we had 220 physical locations across England, Scotland and Wales (2024: 225).

We've always aimed to support people when they need us, but important government and regulatory updates in 2025 made sure financial service providers go further.

The FCA and HM Treasury worked with the Financial Ombudsman Service to modernise the UK's financial redress system, to make sure it's fairer, simpler and quicker when things go wrong. We know things don't always go to plan so if something's not right, we'll do our best to fix it, and fast, whether online, by phone, or in branch.

Citizens Advice

We fund Citizens Advice advisers in 44 of our branches in England and Scotland, who continued to offer free, face-to-face impartial advice during 2025. It's a service that's available to everyone in the community, not just our members and customers.

Thanks to this 5,600 people were helped to overcome a number of issues during the year (2024: 5,600).

Extra care when it's needed

In 2025 we introduced a new way to help people when they need us most, with a real focus on making sure we provided a more personal and compassionate service.

Our Vulnerable Customer Policy has an updated process and standards for how we do things, and colleagues who directly speak to or support customers received exclusive training to give them the skills and confidence to deliver the best possible service when times are tough for members and customers. This might be signposting to third party organisations, providing information in different formats or getting help with safeguarding when it was necessary to protect people.

For more information about how we're supporting members and customers, see the 2025 Sustainability Report.

Colleagues

We're committed to building an inclusive culture where colleagues feel empowered to live our Purpose, appreciated for their contributions, and proud of the impact they make.



Building an inclusive workplace

Our Diversity, Equity and Inclusion (DEI) Strategy sets out our vision to be a leading organisation that embraces diversity, champions equity and creates an inclusive environment where everyone, regardless of their background or identity feels valued, empowered and supported.

In 2025, we continued to take steps to improve gender equity, including improving how many women were represented in senior roles.

It increased to 48.1% (2024: 47.3%) thanks in part to positive changes to our recruitment process that saw us work with recruitment partners to create balanced interview shortlists.

Our Gender Pay Gap has steadily declined since 2020 and over the last 12 months we've reduced the mean pay gap to 21.2% (-2.2%) and reduced our median pay gap to 22.9% (-1.8%).

You can read more in our Gender Pay Gap report.

Our Board Diversity Statement can be found in the Board Governance and Nominations Committee report.

DEI ambitions

We measure the impact of our DEI strategy by having Ambitions. These are specifically focused on ethnicity, gender and social mobility.

Details of our progress against measures alongside our programmes can be found in the Sustainability Report.

Inclusive Employers Silver Accreditation

In recognition of our commitment and progress to DEI, we were proud to be awarded the globally recognised Silver Accreditation from Inclusive Employers



in July 2025. The accreditation not only recognises our strengths but provides tailored recommendations to help focus efforts on creating an inclusive culture for all colleagues.

Supporting colleague wellbeing

To support colleague wellbeing, we offer a range of benefits, which include discounted access to critical illness cover, private medical insurance, and health and dental cash plans, which can be purchased via monthly salary deductions over a 12-month period.



In 2025 we've improved the support we give colleagues for a range of circumstances. For example, we refreshed our Reasonable Adjustments Policy, which lets colleagues outline the adjustments they need to perform at their best and encourages regular conversations between a colleague and their leader.

For parents going through IVF, our IVF leave policy covers both parents for up to five days, we give full pay neo-natal leave up to 12 weeks and should someone experience early baby loss (before 24 weeks) they can take up to two weeks bereavement leave.

Monitoring our sickness and absence levels helps us to spot any trends that might indicate colleagues need more support with their wellbeing.

In 2025, our colleague sickness rate was 4.54% (2024: 4.26%).

Colleague engagement

We value the views of our colleagues and regularly seek their input through a number of channels to help shape our workplace, benefits, products, and services.

In 2025, 89% of colleagues completed our annual engagement survey (87% in 2024), with an average score of 8.5 (2024: 8.6). We're also in the top 5% of financial organisations for colleague engagement (eNPS), but we know we can always do more.

Feedback highlighted three areas we should focus on as an organisation, which included using colleague voices to enhance our culture, enhancing our communication channels and evolving how we work. As a result, we've improved how we help our colleagues to stay informed, connected, and aligned to our strategy.

Details of how we responded to feedback and our approach to colleague engagement can be found in the Sustainability Report.

Supporting colleague learning and development

To prepare for the future, we're creating an ambitious, forward-thinking culture that champions continuous learning and growth.

We're committed to investing in people. From mastering new technologies to nurturing future leaders and supporting personal development, learning empowers our colleagues and helps our business to grow.

We aim for our colleagues to learn for 35 hours a year and in 2025, they averaged 48 hours (2024: 62 hours).

We've identified a number of key skills that we need to enhance and develop to support delivery against our strategy. LinkedIn Learning courses and internal learning pathways are available to help colleagues improve these skills.

Our apprenticeship programme went from strength-to-strength in 2025, and we welcomed 36 people from across the business to reskill so we can increase the talent in the places it's needed.

Communities

In 2025, many families continued to face financial hardship, driven by rising housing costs and stagnant wages. Children, young adults, low-income families, and older generations were among the most affected.



As a building society, we focus our efforts where they matter most. We partner with local organisations to support people in financial hardship and improve access to financial education and employability skills training to build financial resilience to help with access to secure, sustainable homes. Through colleague volunteering, our FareShare charity partnership, and donations from the Society and members, we're proud to make a meaningful impact.

We contributed £3.1m through our community programmes in 2025 and reached over 24,300 people with personal financial wellbeing support (2024: 27,600). This is a slight reduction against the goal of 27,000 people.

You can find a breakdown of our community contributions in the 2025 Sustainability Reporting Framework Index and Datasheet.

Building skills and employability

Our commitment to Bradford

In 2025 we focused a lot of support on helping people into work in our Bradford heartland. The city has above-average unemployment rates²⁷, and one in four people of working age were not working or looking for work in 2024.

We invested time, money and resources into some of Bradford's most deprived areas to give people the skills, knowledge, training or experience to help them unlock opportunities to work.

We welcomed 792 students into our Bradford office to experience a working environment and AQA-certified employment-related workshops.

66% of students said they'd improved their employability skills and 84% now know what skills employers are looking for - preparing students for work and helping their understanding of different roles and opportunities.

A further 360 students received insight into the world of work through Work Immersion experiences held at their school. A total of 1,200 Year-10 students were reached through the Work Immersion programme in 2025.

In 2024, the Yorkshire Building Society Charitable Foundation launched the Building Bradford Skills Fund. Through this, four charities shared a £1m three-year investment from the Society to address specific skills and employment challenges the city faced.

Bradford Central Foodbank, Lower Grange Community Association, The Cellar Trust and Smart Works all launched their projects during 2025, with each actively helping people into work. 1,100 people were supported through the projects overall in 2025.

Building Skills for the Future programme

Our partnership with FareShare also contributed to improving employability. In 2025, through colleague fundraising, member and customer donations and a contribution from the Society, we raised £336,000 to fund the Building Skills for the Future programme, which helped 1,400 people to prepare for work.



Building financial resilience in our communities

Helping people understand money, regardless of age, is key to improving financial resilience.

According to our research²⁸, more than nine in 10 (95%) parents of school-aged children think it's important their children experience financial education, and almost the same amount (89%) say it should be taught in schools. That's why we submitted recommendations to the government's Curriculum and Assessment Review, calling for mandatory financial education for all children in England, including those in primary school. We were delighted to see the government's Financial Inclusion Strategy confirm that from 2028, this will become a reality. In 2025, and in its absence, we continued to play our part through our Money Minds financial education programme.

In 2025 the programme reached 15,100, children, young people and adults.

Our colleagues delivered face-to-face sessions in schools, branches and community settings, covering a range of topics, from budget management to fraud and scams for adults, and understanding where money comes from to planning the cost of a party for children.

Supporting our communities

The Yorkshire Building Society Charitable Foundation is a registered charity with its own Board of Trustees,

27% of Yorkshire Building Society savings and mortgage accounts are opted in to the Foundation's flagship initiative, the Small Change Big Difference[®] scheme. By opting in, they come together and turn pennies into meaningful donations – up to £2,500 – to registered charities across the UK.

In 2025, 227 charities received a total of £358,000 in donations (2024: £385,000, 388 charities), all nominated by our members and colleagues.

Every colleague employed by us gets up to 31 hours a year to volunteer and in 2025, 29% of colleagues – 1,100 people – gave their time to good causes (2024: 35%).

It might have been supporting our charity partner, delivering financial education, providing pro-bono support, becoming a trustee, school governor or mentor, or giving practical support to causes that help people out of financial hardship.

More information about the impact of our community impact can be found in the Sustainability Report.

²⁷ <https://www.ons.gov.uk/visualisations/labourmarketlocal/E08000032/>

²⁸ A survey of 2,000 Parents of 5 to 17 year olds, undertaken by Opinium in March 2025

Climate



We care for our collective home by accelerating our transition to Net Zero and helping members make homes sustainable, resilient and part of a healthy planet.

Committed to reducing our impact

We're committed to understanding and reducing our carbon footprint, and throughout 2025, we've redefined our climate strategy, considering the frameworks deemed best practice and the current position of the emissions footprint.

Net Zero transition plan

In 2025 we developed our Net Zero Transition Plan, focussing on the emissions arising from our own operations and supply chain.

The Executive Team and subsequently Board, also committed to bringing forward our Scope 1 and 2 Net Zero target from 2035 to 2030, to reflect our commitment to protecting the planet and making sure people have sustainable homes fit for the future:

- **Target:** Net Zero in Scope 1 by 2030 (location-basis)
- **Target:** Net Zero in Scope 2 by 2030 (market-basis)
- **Ambition:** Net Zero in Scope 3 Operational emissions by 2050
- **Ambition:** Net Zero in Scope 3 Financed emissions by 2050

The actions to support the delivery of the transition plan replace the previous Climate Commitments we had.

Full details of the old Climate Commitments can be found on page 22 of the Annual Report and Accounts 2024.

Outstanding actions will help inform our new plans.

Operational impact

Progress in reducing emissions across Scope 1 and Scope 2 categories has been made since 2023, due to a mix of energy efficiency initiatives and changes to the way we work, including branch or agency closures, increased remote working, and a return to normal ventilation after the pandemic. But we're committed to doing more.

Energy

The largest proportion of our energy use comes from the operation of office and retail locations (95.6%). In 2025, we increased the amount of electricity we generate ourselves.

New solar panel car ports at our Bradford office generated 374,250 kWh, which contributed 3.1% of our energy use across all our sites.

We're planning a second phase of solar panels to help further reduce our electricity consumption from the national grid, as we expect this to increase as we replace our gas boilers with electric alternatives across our sites starting in 2026.

We continue to maintain our Net Zero position for Scope 2 emissions on a market-basis as we continue to procure renewable energy.

Our full carbon footprint, and details of how we calculated these emissions, can be found on page 48.

Business travel

Business travel also forms a significant part of our carbon footprint and is an emissions source we're looking to decarbonise as far as possible. Our business travel emissions in 2025 were 258.3 tCO₂e.

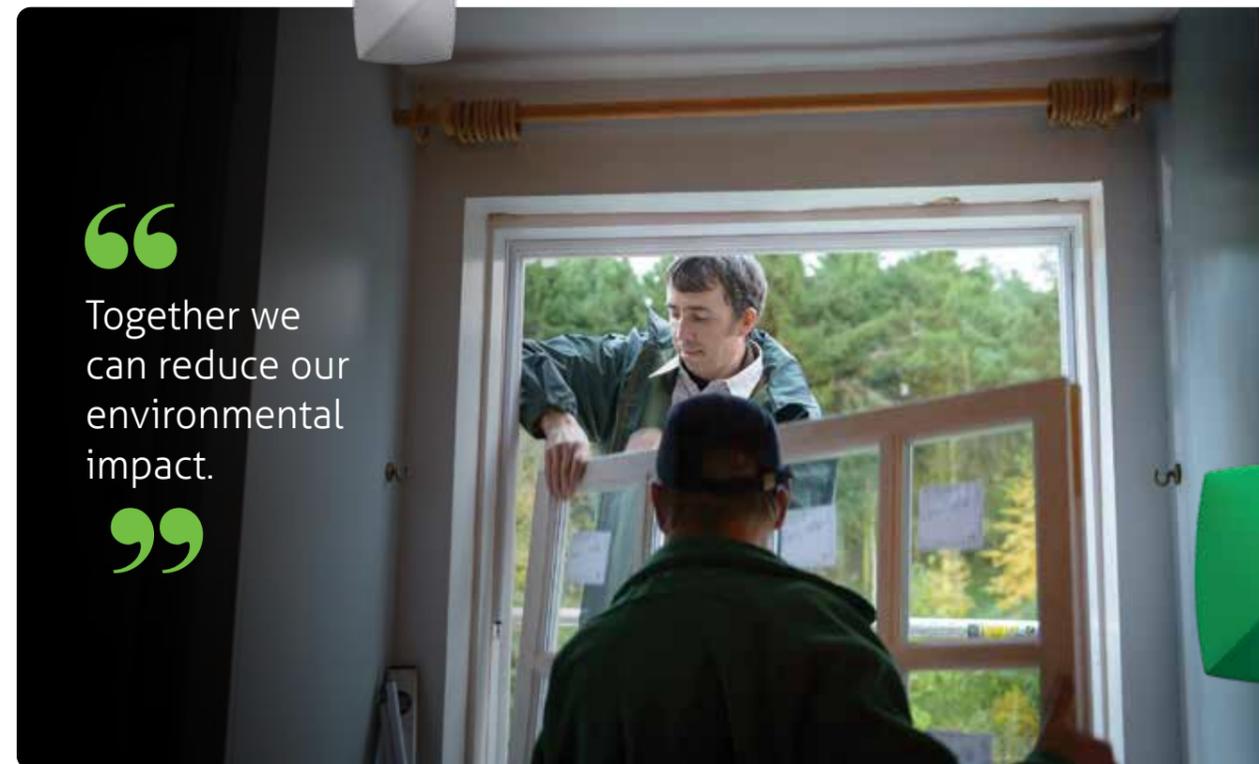
Over the course of 2026 we'll be reviewing our business travel policy, assessing various changes that could be made to help limit and reduce our travel emissions.

Supply chain

In 2025 we updated our YBS Standards for Suppliers to be clearer on how we expect those we work with to manage their environmental impact.

We're strengthening our engagement with existing suppliers to better understand what they've done to date, and how we can work with them to reduce their emissions.

More details, including our broader environmental impact are available on pages 48 and in 60 in the Sustainability Report.



“ Together we can reduce our environmental impact. ”

Helping members, customers and colleagues reduce their impact

Helping our members, customers and colleagues to make greener choices, means together we can reduce our environmental impact, which is good for the planet and helps build a better future for all.

It starts with championing climate with colleagues. Our network of 25 Climate Champions helped us to raise awareness of Climate Change training and share their knowledge with teams locally to encourage positive action.

Preparing members and customers

We're helping homeowners navigate the physical and transition risks associated with climate change and the move to a low-carbon future.

Transition risks

As a lender supporting 3.3% of the mortgage market, we provide education and guidance to help customers understand their options and offer solutions like an additional loan to support energy efficient home improvements.

We also monitor the Energy Performance Certificate (EPC) ratings across our mortgage portfolio and offer products and services that meet customer needs, like Snugg, which helps homeowners improve their EPC rating (more on page 46).

Physical risks

We've worked with the wider industry to raise awareness of the issue of flooding for homeowners, and how it could impact insurance prices in the future when Flood Re – a government insurance scheme – ends.

We also took part in a project with the UK Centre for Greening Finance and Investment (CGFI) to improve how flooding and overheating risks are communicated to homeowners.

Full details of our climate risks, alongside opportunities is available in the Task Force on Climate-related Financial Disclosures (TCFD) report on page 42.

Working in partnership and calling for change

We partner with organisations who are as committed as us to doing the right thing and made sure we had our say on several policy discussions during 2025. All had the potential to help homeowners reduce their impact on climate change, including the proposed EPC Reform and changes to the Boiler Upgrade Scheme.

Strategic Report > Our Social and Environmental Impact

Task Force on Climate-related Financial Disclosures

We know the financial services sector plays a vital role in supporting the transition to a low carbon economy.

This table summarises our commitment to effectively govern, manage, and monitor the risks and opportunities arising from climate change in line with our obligations under the Prudential Regulation Authority’s Supervisory Statement 5/25 (SS5/25).

The structure follows the requirements of the Taskforce for Climate-related Financial Disclosure (TCFD), referencing where, throughout the ARA and Sustainability Report, the relevant information can be found.

Additionally, this report provides information in line with our obligations under:

- The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.
- The Companies (Directors’ Report) (Energy and Carbon Report) Regulations 2018.

TCFD Recommendation	CFD Requirement	Summary	Disclosure Location
Governance			
Describe the Board’s oversight of climate-related risks and opportunities.	Companies Act 414CB (2A) (a)	Our Board has ultimate accountability of financial risks for climate change and the associated responsibilities. Our climate governance structure was strengthened in 2025 through the establishment of a new board-level committee, the Environmental and Social Purpose Committee.	Corporate Governance Report, ARA page 64
Describe management’s role in assessing and managing climate-related risks and opportunities.	Companies Act 414CB (2A) (a)	The accountability for the senior management function for climate remains shared between the Chief Financial Officer and Chief Risk Officer.	Corporate Governance Report, ARA page 64
Strategy			
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Companies Act 414CB (2A) (d)	Climate-related financial risks and opportunities touch on many aspects of our risk categories. A full breakdown is provided.	Climate Risk and Opportunity Management section, ARA page 42 - 47
Describe the impact of climate-related risks and opportunities on the organisation’s business, strategy and financial planning.	Companies Act 414CB (2A) (e)	Climate-related financial risks and opportunities impact our organisational strategy and Purpose. This is discussed in the Climate report.	Climate Risk and Opportunity Management section, ARA page 42 - 47
Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Companies Act 414CB (2A) (f)	Scenario analysis is undertaken to assess our resilience to climate change. Analysis shows that in the short to medium term, our organisation is resilient to climate change.	Climate Risk and Opportunity Management section, ARA page 42 - 47



TCFD Recommendation	CFD Requirement	Summary	Disclosure Location
Risk Management			
Describe the organisation’s processes for identifying and assessing climate-related risks.	Companies Act 414CB (2A) (b)	Scenario analysis and our governance structure underpins how climate-related risks and opportunities are identified and assessed.	Climate Risk and Opportunity Management section, ARA page 42 - 47
Describe the organisation’s processes for managing climate related risks.	Companies Act 414CB (2A) (b)	Our climate governance structure and the Enterprise Risk Management Framework ensures climate risks are managed appropriately.	Climate Risk and Opportunity Management section, ARA page 42 - 47
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.	Companies Act 414CB (2A) (c)	Climate risk is now a distinct risk category within risk frameworks.	Climate Risk and Opportunity Management section, ARA page 42 - 47
Metrics & Targets			
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Companies Act 414CB (2A) (h)	Energy Performance Certificate (EPC) data is presented to evidence our transition risk for the mortgage portfolio. Flood risk, subsidence risk and coastal erosion risk are also presented, showing minimal impacts in the short to medium term. Opportunity metrics are also presented, including the number of people utilising the Snugg partnership.	Sustainability Report, page 51 - 52 Metrics and Targets section, ARA page 47-52
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Companies Act 414CB (2A) (h)	Full carbon footprint is presented for all material emissions categories. Internal energy use and colleague intensity ratios are also shown, in line with the Streamlined Energy and Carbon Report requirements. Supply chain and financed emissions are reported a year in arrears due to the nature of the input data.	Metrics and Targets section, ARA page 47-52
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Companies Act 414CB (2A) (g)	Our Net Zero target for Scope 1 and 2 has been brought forward, aligning to renewed ambition to reduce environmental impact.	Climate report, ARA page 38



Climate risk and opportunity management

Our climate-related financial risks

The table below discloses the climate-related risks expected to impact our organisation over the short, medium and long-term²⁹.

- **'Physical' risks** arise from changes to the environment that may damage the integrity of a property, including acute weather events (e.g. flooding) and chronic changes to local environments (e.g. coastal erosion).
- **'Transition' risks** arise from changes in the wider economy as it moves toward a low-carbon state, including changes to climate policy and regulation, technology developments, and shifting consumer attitudes.

Further quantified information on how we monitor physical and transition risks can be found in Metrics and targets, and in the Sustainability Report.

Risk	Nature	Risk description	Time horizon	Strategy
Credit risk	Physical	Increased severity and frequency of extreme weather events can impact collateral value and pressure households with higher costs, increasing the probability of default and the loss given default.	Long-term	Physical risk (flood risk, subsidence & coastal erosion) data and transition risk (EPC) data is collected quarterly on the back book. Physical risk data is collected and projected across future climate scenarios of differing levels of greenhouse gas concentrations.
	Transition	Government policy to facilitate a transition to a low-carbon economy, such as minimum energy efficiency requirements, may impact collateral value, impacting the loss given default. Macroeconomic downturn from a disorderly transition will place pressure on borrower affordability, increasing the probability of default.	Short to medium-term	Building insurance is required under mortgage terms. For buy-to-let lending, we require properties to comply with legal obligations and have a minimum EPC of E or valid exemption in place. We have quantitative credit risk appetites in place covering transition risk (EPC) and flood risk.
Operational risk	Physical	Extreme weather may cause damage to our offices, branches, or supply chain, preventing us from operating as usual. Employees' homes may be impacted, reducing productivity, and customers' homes may be impacted, driving call volumes.	Long-term	We consider specific climate related events during operational resilience testing as appropriate.
	Transition	As the UK transitions to a low-carbon economy, some of our suppliers may cease trading or have to materially change the service they provide us, impacting our ability to operate as usual.	Short to medium-term	
Capital risk	Physical and Transition	Extreme weather events and transitional policies may generate credit defaults and operational losses which we'd need to absorb. Increased exposure to higher climate related assets may require additional capital buffers.	Medium to long-term	Climate change risk forms part of our annual Pillar 2a risk assessment within the ICAAP.



Risk	Nature	Risk description	Time horizon	Strategy
Regulatory risk	Transition	UK central and devolved governments continue to alter the course of the climate policy landscape, impacting obligations on lenders, landlords and homeowners.	Short to long-term	We undertake regular horizon scanning activities to mitigate against this risk.
Market risk	Physical and Transition	Markets react to physical and transition events, such as extreme weather or government policy, resulting in unexpected repricing of financial assets and liabilities. This repricing may also occur due to macroeconomic reactions from a transition to a low-carbon economy.	Medium to long-term	We have embedded qualitative climate related risk consideration into our Market Risk policy.
Funding and Liquidity risk	Physical and Transition	Physical and transition risk factors have the potential to reduce savings balances held on our balance sheet, the eligibility of loans for securitisation and costs of issuance of regulated mortgage-backed securities.	Medium to long-term	We completed a high-level qualitative assessment of climate related impacts within our ILAAP.

Climate change may also become evident across a broad range of non-financial risks that require careful consideration. These include conduct and reputational risks, as well as risks linked to our modelling, our strategy and through our people policies. Change risk also plays a role, as organisations adapt to evolving expectations and regulatory requirements. We recognise these additional considerations and will look to progress assessment and mitigation strategies as we continue to embed climate change risk across our business.

²⁹ Short term: 0 – 5 years; Medium term: 5 – 15 years; Long term: 15+ years.

The resilience of our strategy – scenario analysis

To quantify the risks associated with climate change, we conduct climate scenario modelling to a 2050 time horizon on our retail and commercial lending portfolios. The climate change model is built on our current credit stress testing models, adding the impact of physical and transition risks associated with climate change while retaining the core methodology for calculating losses.

Scenario	Overview
Early Policy Action	The transition to a carbon-neutral economy starts early and is gradual and moderate. Carbon prices and other policies are introduced slowly and the increase in global warming stays below 2oC, in line with the Paris Agreement. (RCP 2.6 ³⁰).
Late Policy Action	The global climate goal is met but the transition is delayed until 2031 and is more sudden and substantial. This results in a material short-term macro disruption, with an economic recession, falls in property and equity prices, and changes in interest rates. (RCP 6.0).
No Additional Policy Action	No policy action beyond that which has already been enacted is delivered. The transition is insufficient for the world to meet its climate goal, leading to severe physical risks, materially lower trend growth rates, and impact on asset prices. (RCP 8.5).

The climate change model operates by adjusting the probability of default and the losses given default within our existing stress testing model, in response to both physical and transition risk.

Climate-related risks have the following impact:

Physical risks impact:

- The valuation of property, and therefore the loss given default, based on assessment of indirect, long-term risk of physical damage as the market price changes and consumers face costs of additional insurance and to resolve physical damage.
- The valuation of the property due to direct physical damage if the property gets flooded, impacting: The loss given default; the loan-to-value, and therefore indirectly the probability of default.
- The probability of default directly due to additional financial strain on the borrower from the cost of repairs.

Transition risks impact:

- The affordability of the mortgage and by extension the probability of default.
- The valuation of the property due to rising requirements and consumer expectations on energy efficiency.
- Through macroeconomic transition impacting the probability of default on the portfolio.

The model shows that over the long-term, physical risks have the largest potential for losses versus transition impacts. Transition impacts are the more immediate risk for us as physical risks do not manifest fully until close to 2050. The nature of the transition impacts the volume of losses with the model showing a disjointed or rushed transition to be the most detrimental.

We're cautious of the limitations within climate modelling and are taking steps to improve it. In 2025, we enhanced the capabilities of the climate model to incorporate dynamic balance sheet assumptions, including new lending, balance amortisation and redemption assumptions, to align the model with more conventional stress testing and forecasting. The dynamic balance sheet assumptions have been segmented by high and low climate risk, this should enable the model to be used for wider strategic decision-making purposes, aligned to the PRA's requirements in SS5/25³¹. Modelling of climate change impacts continues to be complex with a high degree of uncertainty. Despite this, we're well positioned to face the challenges posed by climate change, due to our geographically diverse lending portfolios, and prudent LTV profile. We will, as appropriate, continue to feed climate risk exposures into its strategic decision making.

How we identify and assess climate-related risks

Climate scenario analyses are a foundational step in our process for identifying and assessing climate-related risks. The three scenarios discussed previously are used to simulate potential future states dependent on the scale of action in tackling climate change. The conclusions of the scenario analysis are used to facilitate discussions in selected meetings across our organisation. While climate-related risks are incorporated into our ICAAP, further actions are required to embed the scenario analysis within our strategy. In 2025 the following working groups and committees assessed the following:

Group	Discussion
Climate Risk Working Group	<ul style="list-style-type: none"> ■ Climate-related risk management information including energy performance certificates, flood risk, subsidence, and coastal erosion. ■ Progress and input for climate risk modelling and enhancement to a dynamic balance sheet basis. ■ Overview of the PRA CP10/25 updates to SS3/19 enhancing banks' and insurers' approaches to managing the financial risks from climate change.
Asset and Liability Committee	<ul style="list-style-type: none"> ■ Climate Change Risk Pillar 2A Risk Assessment outputs presented as part of our annual ICAAP governance process. ■ Reviewed policy updates as appropriate, including Tier 1 Financial Risks inclusion of climate related policy statement(s).
Environmental, Social and Governance Committee	<ul style="list-style-type: none"> ■ Discussion on approving our Net Zero Transition Plans and updates to Net Zero targets. ■ Sight of regular climate risk metrics and update received on climate risk action plan.
Retail and Commercial Credit Risk Committee	<ul style="list-style-type: none"> ■ Overview of climate change and associated risks, including updates to KRI in regards to climate-related risks. ■ Presented with a Credit Risk Climate Action Plan, documenting progress to date and future actions to improve climate-related risk management capabilities.
Executive Risk Committee	<ul style="list-style-type: none"> ■ Reviewed updated Credit Risk KRI's including EPC and Flood Risk. ■ Updates are included in the Chief Risk Officer report and forwarded on to Board Risk Committee.

How we manage climate-related risks

Climate Risk is a sub-category of Sustainability Risk, which is designated a Tier 2 risk category within the Society's Enterprise Risk Management Framework. Centralising climate risk as a distinct risk category, over designation as a cross-cutting risk, enables a more focused approach in coordinating how we manage the risks arising from climate change.

Our Credit Risk team alongside Environmental Sustainability have reviewed climate-related key risk indicators to ensure we continue to have appropriate limits to monitor the physical and transition risks relevant to our lending portfolios. These measures are reviewed and updated as required on an annual basis.

During the year, our climate risk scenario analysis fed into our credit risk, risk appetite and key risk indicator review.

³⁰ Representative Concentration Pathways (RCP) are a recognised series of greenhouse gas concentration trajectories. The higher the RCP, within a given scenario, the greater the concentration of greenhouse gases in the atmosphere. RCP provide the bases for the extent of the severity of physical risks throughout the scenario timelines.

³¹ <https://www.bankofengland.co.uk/prudential-regulation/publication/2025/december/enhancing-banks-and-insurers-approaches-to-managing-climate-related-risks-ss>

Understanding the risks of our lending book

We gather several data sets relating to the physical and transition risks of our mortgage book, to understand any potential future impact of climate change:

- Energy Performance Certificates (EPCs) record the energy efficiency of a property and act as a proxy for understanding the emissions the property generates. They also provide insight on how a property’s energy efficiency could improve via retrofit activities, and therefore are a key insight into the transition risks of the mortgage portfolio.
 - In 2025, 59.4% of our retail portfolio had a valid EPC, down from 2024 (60%). Of those with a valid EPC, 47.6% are EPC C or above (2024: 45%), with 97.9% having the potential to be EPC C or above (2024: 98%).
 - In 2025, 69.5% of our commercial portfolio had a valid EPC. Of those with a valid EPC, 61.8% are EPC C or above, with 95.1% having the potential to be EPC C or above.
 - Our full EPC breakdown for both retail and commercial mortgage portfolios can be found on page 51 of the 2025 Sustainability Report.
- Flooding is the most significant risk arising from climate change to UK homeowners, and presents a financial risk to mortgage lenders. We gather flood risk data for our mortgage book: whilst the data shows there is minimal risk for us in the short to medium term, climate modelling indicates this risk may rise in the long term. This data can be found on page 52 of the 2025 Sustainability Report.
- Subsidence is also a physical risk arising from climate change that could impact UK homeowners. It is likely to affect a smaller proportion of the UK than flooding, but nevertheless important to monitor. We gather data to understand the risk posed to our mortgage book and have published this for the first time on page 52 of the 2025 Sustainability Report.

Our climate-related financial opportunities

The table below discloses the climate-related opportunities that could impact our organisation over the short, medium, and long-term. We recognise that progress is dependent on technological and public policy changes, without which the effectiveness of these opportunities may be limited.

Opportunity	Description	Time horizon	Impact to YBS
Supporting our customers, members, and colleagues	Raising awareness of, and supporting how, members and customers can reduce their own carbon footprint. Educating our customers, members, and colleagues about climate change and how homes are impacted can improve climate resilience of our mortgage portfolio and our owned property.	Short to medium-term	Reduced energy use from our offices and branches, helping us reach Net Zero in Scope 1 and 2. Improved climate resilience in our mortgage book could mitigate climate-related financial risks and/or reduce financed emissions.
New products and propositions	Developing products and propositions that are aligned to a Net Zero economy, for example, by providing solutions to support energy efficient homes.	Medium to long-term	In the future, a suite of new products and propositions could help us attract a customer base in a lower carbon economy. Products that encourage low-carbon homes could help reduce financed emissions. Our environment-related products are discussed on page 49 of the 2025 Sustainability Report.
Engaging our supply chain	Improved relationships, data and resilience of our supply chain in the face of climate change.	Short to medium-term	Improved data from our supply chain will improve reporting of Scope 3 emissions and ensure readiness for any impacts to service due to climate change.
Reputation for social purpose	Being prepared for climate change and its impacts to customers, members and colleagues has a strong connection to our Purpose of providing Real Help with Real Life.	Short to medium-term	Maintaining our reputation for having a strong social purpose will continue to drive consumer and colleague interest and trust in the brand.

Opportunity	Description	Time horizon	Impact to YBS
Collaboration	Working with others provides greater insight into the solutions required to adapt and mitigate climate change.	Short to medium-term	Delivers insight and fruitful working relationships that can bring benefits to members and customers. Working with others can deliver insight into new technological and public policy change. For further information on our collaborative work in 2025, see page 50 of the 2025 Sustainability Report.
Improvements to data quality	Thorough climate reporting requires access to good quality data, which can enable good decision-making for the benefit of members and customers.	Short to medium-term	Access to good quality data enables assessment of our current position and development of a clear transition plan to meet climate aims.

In 2025, we established the Climate Opportunities Group, gathering experts from all areas of the business to explore opportunities arising from climate change. This has included how to maximise our partnership with Snugg, propositional discussions and wider integration of climate opportunities. The Climate Champion Network has also played a key role in identifying opportunities across our organisation, including in the branch network.

Further details of Snugg and the Climate Champion Network can be found on page 49 of the 2025 Sustainability Report.

Climate-related opportunities are managed through various functions and governance structures across our organisation according to need. The Executive Environmental and Social Purpose Committee (formerly Environmental, Social and Governance Committee) is central to managing those opportunities and giving a directive steer on how to manage opportunities according to our Purpose priorities and climate strategy.

There are a number of climate-related opportunities available for our members, customers, and colleagues.

For further information on these opportunities , please see page 12 and 49 of the 2025 Sustainability Report.

Metrics and targets

Our targets

Our refreshed targets can be found on page 38 of the ARA.

Our carbon footprint

This section of the report constitutes our Streamlined Energy and Carbon Report (SECR), in line with obligations under The Companies (Directors’ Report) (Energy and Carbon Report) Regulations 2018.



Methodology

High-level methodology statements can be found in the table below, with further details of our methodology found in the Basis of Reporting in the 2025 Sustainability Reporting Framework Index and Datasheet.

Emissions	Methodology
Energy use	The carbon footprint is calculated using an operational control approach, encompassing all YBS-owned and operated sites, where YBS Group has full authority to introduce and implement operating policies. Activity-based data is used in line with the Greenhouse Gas Protocol and UK Government conversion factors to determine the energy usage in kilowatt hours (kWh). Activity-based data is sourced from various places, including from third-party bill validators, fuel sheets and expense reports. Data is validated and where not available, estimated figures are used based on historic data. For 2025, the month of December has been estimated based on historic usage for gas and electricity. The reporting period for energy use is January to December 2025.
Own operations (Scope 1, Scope 2, Scope 3 Categories 3, 5, 6, 7)	The carbon footprint is calculated using an operational control approach, encompassing all YBS-owned and operated sites, where YBS Group has full authority to introduce and implement operating policies. Activity-based data is used in line with the Greenhouse Gas Protocol and UK Government conversion factors to determine the carbon emissions in tonnes of carbon dioxide equivalent. Activity-based data is sourced from various places, including from third-party bill validators, fuel sheets and expense reports. Data is validated and where not available, estimated figures are used based on historic data. For 2025, the month of December has been estimated based on historic usage for gas, electricity, and water. In 2025, the emissions from water supply and treatment have been further refined and separated, meaning the 2025 operational footprint only includes emissions from water treatment, with emissions from water supply being included within the supply chain emissions (Scope 3 Category 1). The reporting period for these emissions is January to December 2025.
Supply Chain (Scope 3 Categories 1 and 2)	We calculate Scope 3 Categories 1 and 2 in line with the Greenhouse Gas Protocol spend-based methodology. We use actual supplier data sourced by YBS and sector averages sourced from Open CEDA by Watershed. For suppliers where emissions data is disclosed, a supplier specific emissions factor is multiplied by our spend with that supplier. Where we do not have supplier emissions data, an average emissions factor is used based on the sector of the supplier. The reporting period for these emissions is January to December 2024.
Financed Emissions (Scope 3 Category 15)	We calculate our financed emissions in line with the Partnership for Carbon Accounting Financials (PCAF) methodology for residential mortgages and commercial real estate. Our approach utilises the full loan balance and property value at origination to determine our contribution towards the emissions generated from mortgaged properties, where a property's valuation at origination is not available, we utilise the latest indexed valuation. For residential real estate, emissions data is taken from the property's Energy Performance Certificate (EPC) rating. For properties without a valid EPC, in line with PCAF methodology, we assume an emissions value for the property based on the data within the PCAF emissions factor database. For commercial real estate, emissions data is taken from the property's Energy Performance Certificate (EPC) rating. For properties without a valid EPC, then average values are used based on known values within the commercial real estate portfolio. The reporting period for these emissions is December 2023 to November 2024. For a breakdown of our EPC data please see page 51 in the 2025 Sustainability Report.

Assurance

Selected metrics have been subject to independent limited assurance by PricewaterhouseCoopers LLP (PwC), as indicated by a star (★). Details of the assurance are set out in the 2025 Sustainability Report Framework Index and Datasheet.

Energy use and emissions report

In line with the Streamlined Energy and Carbon Reporting (SECR) requirements and prepared using the Environmental Reporting Guidelines (March 2019), below is presented our internal energy use and associated emissions from business activities. Some 2024 figures have been restated after receipt of actual data for utilities for Q4 2024, which had previously been estimated, these have been highlighted in the table.

Internal Energy Usage (kWh)	2025	2024	2025 change from 2023 base year
Heating	3,607,001	3,579,712 ³²	-11.5%
Emergency fuel usage	16,684	64,412	-47.4%
Company owned vehicle transport (Maintenance)	542	4,324	-93.0%
Scope 1 Total	3,624,227	3,648,448³³	-12.0%
Associated emissions (tCO2e)	661	656	-11.6%
National Grid Electricity Consumption	7,174,535	8,148,043	-12.3%
Onsite Solar Electricity Generation Consumption	650,717	137,233	333.4%
EV Owned and Leased Vehicle Usage	1,741	987	767.0%
Scope 2 Total	7,826,993	8,286,263	-6.1%
Associated emissions (tCO2e)	1,270	1,687	-25.1%
Business Transport - expensed mileage	524,203	553,151	1.4%
Hire Cars	1,504	2,618	-58.4%
Scope 3 Total	525,707	555,769	1%
Associated emissions (tCO2e)	127	134	1.6%
Total Energy Use	11,976,927 ★	12,490,480	-7.7%
Associated emissions (tCO2e)	2,058	2,477	-19.9%

³² 2024 Heating kWh previously reported as 3,760,518. The change is due to receipt of actual consumption data replacing historically estimated data for Q4 2024.

³³ 2024 Scope 1 Total kWh previously reported as 3,829,254. The change is due to receipt of actual consumption data replacing historically estimated data for Q4 2024.

Strategic Report > **Our Social and Environmental Impact****Carbon footprint**

Our carbon footprint calculated on a location-basis can be seen below. We continue to purchase renewable electricity backed by Renewable Energy Guarantee of Origin (REGO) certificates for all of our owned and operated sites, and so our Scope 2 emissions are zero on a market-basis. This has been subject to limited assurance by PwC. For further information see the Basis of Reporting in the 2025 Sustainability Reporting Framework Index and Datasheet. Some 2024 figures have been restated following receipt of actual data for Q4 2024, which had previously been estimated. Some restated values also reflect updated methodologies that have been introduced in 2025.

As at 31 December 2025		2025 Location-based emissions tCO ₂ e	2024 Location-based emissions tCO ₂ e	2025 change from 2023 base year
Scope 1	Generation of heat (gas consumption)	660	655 ³⁴	-11.5%
	Vehicles used on Society business	1	1	-53.5%
	Refrigerant gases	231	32	8,419.8%
	Biodiesel (back-up generators)	0.06	0.23	-47.4%
	Total Scope 1	892 ★	688³⁵	18.8%
Scope 2	Electricity consumption	1,270	1,687	-25.1%
	Electricity for owned vehicle	0.31	0.20	643.2%
	Total Scope 2	1,270 ★	1,687	-25.1%
Scope 3	Category 3: Well-to-tank – Electricity	329	374	-12.4%
	Category 3: Well-to-tank – Fuels	110	117	-11.3%
	Category 3: Transmission and distribution losses - Electricity	133	149	-9.6%
	Category 3: Well-to-tank Transmissions & Distribution losses - Electricity	28	32	-11.0%
	Total Category 3 Fuel-related emissions	600 ★	672	-11.5
	Category 5: Water treatment	3³⁶	5	-63.1%
	Category 5: Waste disposal	2	5	-74.0%
	Category 6: Business travel - Transport and WTT³⁷	241	288	-12.1%
	Category 6: Business travel – Hotel	17	19	-29.7%
	Total Category 6 Business travel	258 ★	307	-26.1
Category 7: Employees Commuting	2,309	2,265	8.3%	
Category 7: Home Office	1,397	1,205	28.3%	
Total Scope 3 (Categories 3, 5, 6, 7)	4,569	4,459	7.1%	
Total Carbon Footprint	6,731	6,834	-0.3%	

³⁴ 2024 Emissions from gas consumption previously reported as 688 tCO₂e. The change is due to receipt of actual consumption data replacing historically estimated data for Q4 2024.

³⁵ 2024 Emissions from Scope 1 previously reported as 721 tCO₂e. The change is due to receipt of actual consumption data replacing historically estimated data for Q4 2024.

³⁶ The significant decrease in water emissions is due to us no longer capturing emissions from water supply in this category. Emissions from water supply are now reported in Scope 3 Category 1. Scope 3 Category 5 only reports emissions from water treatment.

³⁷ A full breakdown of our travel emissions, including well-to-tank (WTT) is provided on page 47 of the 2025 Sustainability Report.

In addition to the Scope 1 emissions from biodiesel, we've calculated the following out-of-scope biogenic emissions.

Outside of scope biogenic emissions	2025 biogenic content (tCO ₂)	2024 biogenic content (tCO ₂)
Biodiesel (back-up generators)	4.08	15.76

Additionally, the emissions arising from our supply chain as of 31 December 2024 are shown below. Due to the nature of the data set, these emissions have been published a year in arrears. The column showing previously reported figures shows the value as published last year as well as a restated value. This is due to a change in the methodology, where we now use industry sector emissions factors from Open CEDA by Watershed, which is explained further on page 48 of the 2025 Sustainability Report.

The increase in our Capital Goods emissions in 2024 was in part due to the spend on developing our new solar panel car ports at two of our sites.

Supply chain emissions As of 31 December of reported year	2024 tCO ₂ e	2023 (tCO ₂ e) Restated 2023 As published	2024 change from 2023 base year
Scope 3 Category 1 Purchased goods and services	13,420 ★	14,676 16,110	-8.6%
Scope 3 Category 2 Capital goods	4,748 ★	2,974 4,725	59.7%
Total	18,168	17,650 20,835	2.9%

Our financed emissions are as follows as of 30 November 2024. It is necessary to publish these emissions a year in arrears to ensure a full data set for the year is gathered. The column showing previously reported figures shows the value as published last year as well as a restated value. This is due to a change in the methodology, which is explained further in the 2025 Sustainability Report.

Financed emissions As of 30 November of reported year		2024	2023 Restated 2023 As published	2024 change from restated 2023 base year
Scope 3 Category 15	Absolute Financed Emissions (tCO ₂ e)	796,355 ★	790,479 662,265	0.7%
	Investments: Retail portfolio	£47,331m	£44,678m £41,702m	5.9%
	Physical Intensity (kgCO ₂ e / m ²)	50.8 ★	51.6 45.26	-1.5%
	PCAF data quality score ³⁸	3.82 ★	3.83	-0.3%
Scope 3 Category 15	Absolute Financed Emissions (tCO ₂ e)	35,423 ★	34,465 30,795	2.8%
	Investments: Commercial portfolio	£2,169m	£1,846m	17.5%
	Physical Intensity (kgCO ₂ e / m ²)	76.6 ★	81 71.99	-5.4%
	PCAF data quality score	3.64 ★	3.67 3.62	-0.8%

³⁸ The PCAF data quality score is measured on a scale of 1 to 5, with 1 being of highest quality data.

Intensity ratio

In 2025, we changed the criteria for who's captured in the greenhouse gas emissions colleague intensity ratio. The colleague number, measured in full time equivalent (FTE), now only captures people directly employed by us, whereas previously it also captured agency staff and contractors. This is a more accurate representation of the number of people that directly contribute to the carbon footprint, and also aligns to other sustainability reporting.

The colleague intensity ratio can be found in the below table. The 2024 figure has been recalculated according to the new method of identifying FTE value. The ratio has been calculated using location and market-based emissions for Scope 1, Scope 2, and Scope 3 Categories 3, 5, 6, and 7.

Colleague intensity ratio	2025			2024 Restated (2024 As published)		
	Colleagues (FTE)	GHG Emissions tCO ₂ e	Intensity ratio tCO ₂ e/FTE	Colleagues (FTE)	GHG Emissions tCO ₂ e	Intensity ratio tCO ₂ e/FTE
Location	3,352	6,731	2	3,263 4,923	6,834 6,867	2.1 1.4

Explanation of carbon footprint

Scope 1 emissions include those from use of natural gas for heating, diesel for maintenance vehicle, biofuel for back-up generator and refrigerant gas releases. Our scope 1 emissions have increased in 2025 compared to 2024 and to the base year 2023, due to an increase in emissions from refrigerant gas releases (including leaks, maintenance-related releases, and end-of-life disposal). Otherwise, emissions from other scope 1 emissions sources have marginally decreased.

Scope 2 emissions arise from purchased electricity use, for the running of YBS-owned and operated sites and the electric van used for maintenance purposes, which is charged at the Bradford Yorkshire Drive office. In 2025, scope 2 emissions have decreased significantly compared to 2024 and to the 2023 base year. This is partly due to seven sites no longer being in our operational boundary, for example due to closure. However, a reduction is also seen due to the increased on-site generation of electricity through newly installed solar panels at the Bradford Yorkshire Drive office.

Scope 3 emissions for our own operations relate to aspects of our supply chain and include fuel-related emissions, emissions from waste and wastewater, business travel, and colleague home-working and commuting. These emissions rose very slightly in 2025 due to an increase in the number of people working for YBS. We're working to improve our understanding of Scope 3 emissions categories and continue to publish and seek improvements to all material emissions categories. The table below shows the status for each category not currently reported.

Scope 3 emissions category	Detail
4. Upstream transportation & distribution	Not yet calculated. Initial understanding of the available data. Currently captured within our supply chain emissions.
8. Upstream leased assets	Not yet calculated. Initial understanding of the available data. Currently captured within our supply chain emissions.
9. Downstream transportation and distribution	Not yet calculated. Initial understanding of the available data. Currently captured within our supply chain emissions.
10: Processing of sold products	Not applicable
11. Use of sold products	Not applicable
12. End of life treatment of sold products	Not applicable
13. Downstream leased assets	Not yet calculated. Initial understanding of the available data. Currently captured within our supply chain emissions. 2026: To be published for the first time
14. Franchises	Not applicable

Understanding our broader environmental impact

We're also taking steps to understand our broader environmental impact and gather data such as the landfill diversion rate. In 2025, 98.2% of our waste was diverted from landfill (2024: 97.0%).

For a full breakdown of how our waste is treated and our plans to reduce waste, see page 25 of the 2025 Sustainability Reporting Framework Index and Datasheet.

Additionally, we're starting to take steps to assess our impact on nature by undertaking an assessment of the biodiversity of woodland we own in Bradford. This initial biodiversity survey is due to take place in Spring 2026 and will determine the next steps for our nature journey.

Responsible Business Foundations

As a purpose-driven business, we know how we do business is as important as what we do, and why we do it.

We're taking action to make sure we meet our regulatory responsibilities and have the right systems, processes and governance in place to protect our members, customers, colleagues, and the organisation from potential risks.

A comprehensive overview of our responsible business foundations is available in the 2025 Sustainability Report.

Non-financial and sustainability information statement

We aim to voluntarily apply the requirements of s414CB of the Companies Act 2006 by including non-financial information intended to help stakeholders understand our position on key non-financial matters. Information regarding these matters can be found in the following sections of this document.

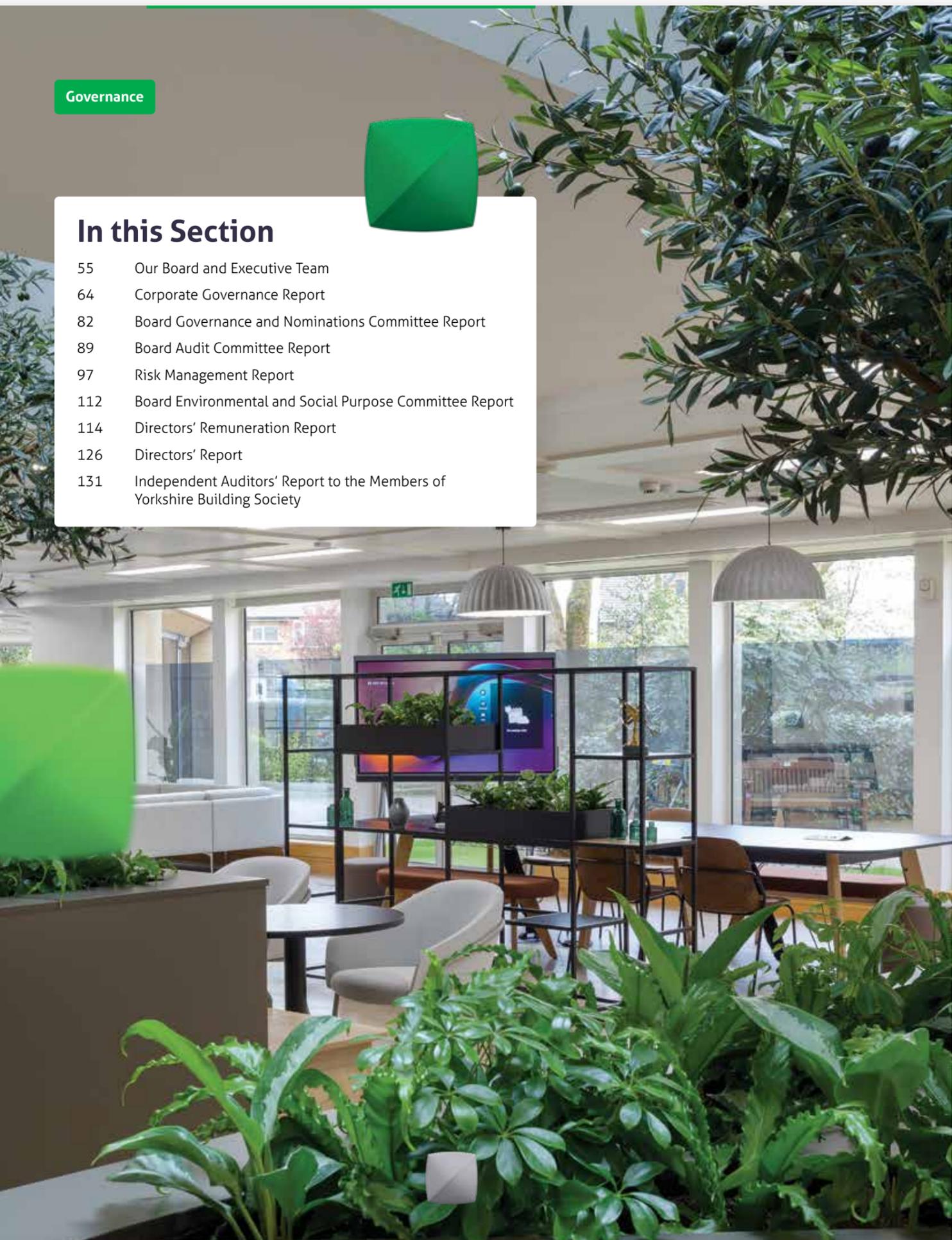
Area	Strategic report reference
Environment matters	See the Climate subsection of the Strategic Report and the 2025 Sustainability Report
Employees	See the Colleagues subsection of the 2025 Sustainability Report
Social matters	See the Purpose in action and Communities subsections of the 2025 Sustainability Report
Respect for human rights	See the Responsible business foundations – Human rights and modern slavery subsection of the 2025 Sustainability Report
Anti-corruption and anti-bribery	See the Responsible business foundations – Anti-bribery and corruption subsection of the 2025 Sustainability Report
Our business model	See Our business model subsection of the Strategic Report
Principle risks	See the Risk overview section of the Strategic Report
Key performance indicators	See Performance at a glance section in the Introduction



Governance

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OUR BOARD AND EXECUTIVE TEAM

Details of our Board and Executive Team are set out in the following section.

For information regarding our Board and any changes during 2025 see the Corporate Governance Report.



Annemarie Durbin BComm, LLB, MSc
Board Chair

Joined in 2023 as Board Chair Designate. Became Board Chair in 2024.



Peter Bole MA, CA
Independent Non-Executive Director

Joined the Board in 2024.

Background and career

Annemarie has over 35 years of international business and banking experience. She has worked across retail, commercial, corporate and institutional banking. Most of her executive career was at Standard Chartered, a FTSE 100 international bank, where she ultimately joined the Group Executive Committee.

She held senior global roles at Standard Chartered, including CEO and Executive Director of its listed business in Thailand and CEO in the Philippines.

Annemarie's Non-Executive Director positions have included Petershill Partners PLC, WH Smith Plc, Santander UK plc, Chair of Cater Allen Limited and Chair of the FCA's Listing Authority Advisory Panel. She is also an executive coach and mentor.

Skills and experience

- Extensive expertise in banking, leadership and talent, transformation and corporate governance.
- Significant experience in remuneration, including as a Remuneration Committee Chair and in audit, risk and responsible banking from committee roles at Santander UK plc.

Other roles

Senior Independent Director and Chair of Remuneration Committee at Persimmon PLC.

Background and career

Peter was the Chief Financial Officer for esure Group plc during a period of digital transformation for the business. Before that, he was Chief Finance Officer at Tesco Bank and Virgin Money, later becoming Group Integration Director at Virgin Money. He has also held senior roles at RBS Insurance, Standard Life and Deloitte.

Skills and experience

- Over 25 years in finance leadership roles across banking and insurance.
- Expertise in managing growth and transformation in consumer-focused businesses.

Other roles

None.



Elaine Bucknor
Independent Non-Executive Director

Joined the Board in 2025.



Angela Darlington BSc, FIA
Independent Non-Executive Director / Vice Chair

Joined the Board in 2022.

Background and career

Elaine has held executive, operational and consultancy roles with leading companies in Telecommunications, Media, Technology, Travel and Utilities.

Her last executive role was at Sky as Group Director of Technology Strategic Services and Group Chief Information Security Officer. She led technology strategy and strengthened cybersecurity across the organisation. Elaine has previously held Non-Executive Director roles at Darktrace plc, Notting Hill Genesis and Smoove Limited.

Skills and experience

- 30 years in technology, delivering complex multinational programmes.
- Expertise in technology strategies to support organisational transformation and growth.

Other roles

Non-Executive Director for Hoptroff London Limited, Currys Plc and Reed Global Limited. Strategic advisor to PwC and an advisor to RiverSafe Limited and ISTARI.

Background and career

Angela spent 20 years at Aviva PLC in senior roles, including Chief Executive Officer of UK Life, where she led the UK Insurance business and served on the Aviva Leadership Team.

She was previously Group Chief Risk Officer for Aviva PLC, responsible for risk management at Group level.

Skills and experience

- Deep technical expertise in risk and financial services.
- Ability to contribute to strategic planning and oversight.

Other roles

Independent Non-Executive Director of Rothesay Life (including member of the Risk Committee, Audit Committee, Governance & Nominations Committee and Customer & Conduct Committee), Member of Council for the London School of Hygiene and Tropical Medicine (including Chair of the Finance & Development Committee).

Key

 Board Audit Committee	 Board Governance and Nominations Committee	 Board Risk Committee	 Board Remuneration Committee	 Board Environmental and Social Purpose Committee
 Committee Chair	 Board Consumer Duty / Member Champion	 Whistleblowing Champion	 Non-Executive Director for Workforce Engagement	



Debra Davies BA Hons, Business Studies
Independent Non-Executive Director

Joined the Board in 2023.



Mark Parsons BA, FCMA
Senior Independent Director

Joined the Board in 2020.

Background and career

Debra has over 30 years of experience in financial services, including senior roles at American Express where she led the UK Business, global product marketing and the partnerships business across 55 countries. She also represented American Express in significant joint ventures in the Middle East, Belgium and Switzerland, where she was the Chair of Swisscard.

Debra has held a range of non-executive roles with AXA UK plc and Credit Suisse International.

Skills and experience

- Expertise in profit and loss leadership, customer, service, marketing, technology and digital innovation.
- Experience in partnership development and managing complex global businesses.

Other roles

Non-Executive Director and Senior Independent Director at AXA UK plc, Chair of the Remuneration Committee and member of the Audit and Risk Committees. Non-Executive Director of Intrum AB, Chair of the Transformation Committee. Non-Executive Director and Chair of the Remuneration Committee of Nomura International Plc.

Background and career

Mark was Chief Executive of Coventry Building Society from 2014 until 2020. He has extensive experience in retail financial services, including senior roles at Barclays and Abbey National, and time at PwC. At Barclays, he was Chief Finance Officer for Retail and Business Banking and Deputy CEO of Barclays UK Retail Bank.

Skills and experience

- Over 35 years in financial services.
- Expertise across finance, HR, product, retail management, risk and investor relations.

Other roles

Non-Executive Director of Fairstone Capital Group Limited.



Janet Pope BSc Econ, MSc Economics, MBA
Independent Non-Executive Director

Joined the Board in 2024.

Background and career

Janet spent 16 years at Lloyds Banking Group, including roles running the savings business and as Chief of Staff and Chief Sustainability Officer, both Group Executive Committee roles. Janet was previously CEO at Alliance Trust Savings and held senior roles at Visa and Standard Chartered including Retail Banking MD for Africa.

Skills and experience

- Extensive retail banking expertise and strong corporate governance knowledge.
- Proven track record in driving successful strategy and improving diversity.
- Significant non-executive experience in government departments, charities and the private sector.

Other roles

Chair of Charities Aid Foundation (CAF) Bank and Chair of Nominations and Remuneration Committee. Non-Executive Director and Chair of Audit and Risk Committee for the Department for Culture, Media and Sport. Trustee of StepChange Debt Charity and The Camden School for Girls.

Non-Executive Director Changes

The following Non-Executive Directors stepped down from the Board in 2025:

Dina Matta
Non-Executive Director, in October 2025.

Guy Bainbridge
Non-Executive Director, in December 2025.

Key

Board Audit Committee	Board Governance and Nominations Committee	Board Risk Committee	Board Remuneration Committee	Board Environmental and Social Purpose Committee
Committee Chair	Board Consumer Duty / Member Champion	Whistleblowing Champion	Non-Executive Director for Workforce Engagement	



Susan Allen BA Hons (Econ), ACIB, ACT, OBE
Chief Executive

Joined the Board in 2023.

Tom Ranger BA Hons
Chief Financial Officer

Joined the Board in 2024.

Background and career

Susan has held senior executive roles at some of the UK's largest retail banks, including Barclays, Santander UK and Royal Bank of Scotland. She has led major transformation programmes and driven customer-focused change throughout her career.

Before joining YBS, Susan was Head of Customer Transformation at Barclays, leading and supporting frontline teams to deliver outstanding service. At Santander UK, she was Chief Transformation Officer before becoming Chief Executive Officer for Retail and Business Banking, supporting 15 million customers with a nationwide network of branches and contact centres.

Susan is Deputy Chair of the Building Societies Association.

Skills and experience

- Over 30 years' experience in financial services across diverse businesses.
- Proven track record in transformation and customer experience.
- Champion of diversity and inclusion throughout her career.
- Responsible for leading the Society and delivering the strategy approved by the Board, driving performance and culture, and ensuring the Society fulfils its Purpose.

Other roles

Director of TheCityUK and Trustee of the Alzheimer's Society.

Background and career

Tom joined YBS from Santander UK plc, where he spent 16 years. For the last seven years, he was UK Group Treasurer. He was also a Non-Executive Board Director of Santander Financial Services plc and Senior Officer of Santander International's Jersey Branch.

Tom began his career at Northern Rock in 1999. He moved to Alliance & Leicester in 2007, just before its acquisition by Banco Santander SA plc in 2008.

Skills and experience

- Over 25 years' experience in financial services.
- Significant expertise in UK retail banking finance and treasury.
- Specialist knowledge in markets, funding, capital and liquidity management, balance sheet planning, interest rate risk, pensions, stress testing and investor relations.
- Responsible for ensuring the Society stays financially resilient – protecting the long-term financial stability of the Society and keeping members' and customers' money safe.

Other roles

Chair of Accord Mortgages Limited and Chair of Norwich & Peterborough (LBS) Limited. Both are wholly owned subsidiaries of the Society.



Richard Bowles MSc, BSc
Chief Risk Officer

Joined the Society in 2024.

Fiona Cannon BSc Hons (English Literature), OBE
Chief Strategy and Sustainability Officer

Joined the Society in 2025.

Background and career

Richard has held senior risk leadership roles across major UK banks and building societies. Before joining Yorkshire Building Society, he was Chief Risk Officer at Coventry Building Society, following over a decade at Lloyds Banking Group and roles at TSB, Barclays and HBOS.

Skills and experience

- Over 15 years' experience in retail banking.
- Broad risk management expertise with a proven track record in delivering major transformation.
- Responsible for ensuring that there are appropriate procedures and capability for the management of all the Society's risks, whether planned or unplanned. Also, for the Compliance and Secretariat functions and regulatory relationships.

Other roles

None.

Background and career

Fiona joined YBS from Lloyds Banking Group where she was most recently the Group Sustainable Business Director. She was responsible for social sustainability, responsible business and inclusion and diversity strategies, as well as broader ESG reporting.

Skills and experience

- Over 25 years' experience in financial services.
- Extensive knowledge of environmental and social sustainability strategies.
- Expertise in governance across public, private and voluntary organisations.
- Responsible for helping shape and deliver the Society's strategic priorities and sustainability goals. Also has responsibility for the Society's External Affairs and Internal Communication functions.

Other roles

Chair of UK charity Surviving Economic Abuse.



James Heslip BA Hons, MSc
Chief Internal Audit Officer

Joined the Society in 2016.

Background and career

Since joining YBS James has held senior roles including Group Lead for Compliance Advisory, Senior Manager in our Mortgage Advice Team and, most recently, Director of Compliance, Money Laundering Reporting Officer and Data Protection Officer. In that role, he was responsible for second line oversight of compliance and conduct risk, as well as managing key regulatory relationships.

Earlier in his career, James worked across all three lines of defence at multiple financial services institutions, including Lloyds Banking Group and Aviva.

Skills and experience

- Broad audit, risk, and financial experience across all three lines of defence.
- Responsible for the Society's third line of defence, including evaluation of capital, liquidity, credit, operational, and regulatory risk management.

Other roles

None.



Fraser Ingram MBA, FCB
Chief Operating Officer

Joined the Society in 2023.

Background and career

Fraser was previously Chief Digital and Innovation Officer at Virgin Money. He has held senior roles including Group Chief Operating Officer, Chief Information Officer and Innovation and Change Director. Before Virgin Money, Fraser was Chief Operating Officer at Kleinwort Benson and Chief Information Officer of Citizens Bank in the USA.

Skills and experience

- Over 35 years' experience in financial services.
- Wide-ranging experience across businesses, functions, and geographies.
- Expertise in business transformation, IT, and change management.
- Responsible for the Society's day-to-day operations, including technology services, supply chain, data and AI, risk and resilience, change delivery, and customer support.

Other roles

Director of Norwich & Peterborough (LBS) Limited. A wholly owned subsidiary of the Society.



Holly Rankin FCIPD
Chief People Officer

Joined the Society in 2024.

Background and career

Holly has extensive experience in human resources, including senior leadership roles in major UK banks. Before joining YBS, she was Managing Director HR at Barclays Bank.

She previously served as HR Director for Community Banks and Wealth at Lloyds Banking Group and Head of HR for the Retail Network at Santander UK.

Skills and experience

- Over 28 years' experience in human resources, including 16 years in financial services.
- Expertise in shaping and leading strategic people plans, culture change, talent and succession, reward, and leadership capability.
- Responsible for shaping the Society's culture and colleague experience, as well as overseeing reward and performance.

Other roles

None.



Simon Watson
Chief Customer Officer

Joined the Society in 2025.

Background and career

Simon brings 14 years of senior leadership experience from NatWest Group. During his time there, he held key roles across personal and private banking, customer propositions, transformation, corporate affairs and brand.

He also led major business transformations and oversaw the acquisition and scaling of the RoosterMoney youth banking business.

Skills and experience

- Extensive expertise in leading large-scale transformations within complex financial institutions.
- Strong focus on customer and colleague engagement to improve service delivery and performance.
- Inclusive and results-driven leadership style, fostering high-performing teams and sustainable growth.
- Responsible for the Society's customer strategy – covering digital, branch and telephony channels, savings and home ownership, digital channels, brand and marketing, and intermediary relationships, guided by customer preferences.

Other roles

None.



A word from the Chair of the Board

As Board Chair, it is a pleasure to share this year's Corporate Governance Report with you.

Our Board is united by a shared commitment to the Society's success and at the heart of this is our mutuality. It is what helps us to deliver our Purpose for our members both now and in the future.

We work hard to ensure that the Society is well governed. We are genuinely proud of the way we govern our Society. Our governance framework is based on the best practice set out in the UK Corporate Governance Code (the Code) published by the Financial Reporting Council (FRC). In this report we share how we have complied with the Code in 2025 (as it applies to a building society), highlighting the Board's role and key activities during the year.

Our Board composition and other roles

In 2025 we said goodbye to two valued members of our Board. Dina Matta stepped down in October 2025 after more than four years of service, and Guy Bainbridge, our Vice Chair, left the Board in December 2025 after over six years. We would like to thank them both for their considerable contributions to the Board over their respective years of service.

We were delighted to welcome Elaine Bucknor to the Board in September 2025. Elaine brings a wealth of experience covering areas including technology transformation and growth and spearheading cybersecurity. She brings a fresh perspective that will be invaluable as we evolve and meet our members' changing needs.

Following the retirement of Guy Bainbridge, Angela Darlington assumed the roles of Vice Chair and Whistleblowing Champion and Elaine Bucknor became our Non-Executive Director for Workforce Engagement with effect from 1 January 2026.

As we look ahead through 2026, Debra Davies will leave the Board and step down as the Society's Board Remuneration Committee Chair following the Annual General Meeting (AGM) after three years of service. On behalf of the Board, I would like to extend our sincere gratitude to Debra for her significant contribution during her tenure and for her effective leadership of the Board Remuneration Committee.

In line with our commitment as a modern mutual, we regularly review Board succession to ensure we maintain the appropriate mix of skills and experience needed to support the Society's long-term strategic plans. Succession plans for the Board Remuneration Committee Chair are in place and, subject to regulatory approval, Janet Pope will succeed Debra as Board Remuneration Committee Chair.

To broaden our reach and attract diverse talent, we are partnering with the Nurole online Non-Executive Director platform, reinforcing our ambition to remain a forward-thinking mutual. We are well progressed in identifying one or two Non-Executive Directors to join the Society in 2026. While the timing of these transitions may temporarily reduce the Board size below our minimum of nine Directors set out in our Society Rules, we are focused on ensuring we appoint the best people to the Board.

Tom Ranger resigned as Chief Financial Officer in February 2026. He will continue to fulfil his role while we conclude the search for his successor. We thank Tom for his contribution to the Society and wish him well in his future career.

In February 2025 we welcomed our new Board Fellow, a role designed to help develop a broader, deeper and more diverse pool of future leaders in the UK. While the position doesn't carry the legal responsibilities of a director, it offers individuals the experience of working with the Board and has also brought a valuable perspective to our discussions.

Board activity in 2025

As a Board it is our responsibility to approve the Society's strategy and culture and to oversee execution of the Society's strategic plans. As a responsible Society, the strategy is built on maintaining strong financial foundations, enabling us to continue to serve member and customer needs over the long term. Our strategic leadership is supported by strong governance, genuine engagement with our stakeholders and effective management of risk.

What truly unites us as a Society is our Purpose to provide Real Help with Real Life. 2025 has been a reset moment when we have reaffirmed and sharpened what that means for YBS and its members, setting a clear direction for our future. This journey has involved input from a wide range of participants, including colleagues from across the business, members, and prospective customers. This has been invaluable in informing recommendations and supporting Board discussions and decision making.

Members sit at the heart of our sharpened Purpose, reflecting our long-term commitment to delivering meaningful value for our members. In 2025 we took time to explore what Member Value truly means in the context of our Purpose, listening to colleagues, members, and customers to shape a shared understanding.

This year we've placed real emphasis on embedding our new Board and Committee Architecture, building on the in-depth review we carried out in 2024. This has ensured the Board can focus on key strategic topics, while the Committees have been able to dive deeper into the details within their areas of expertise. One important change has been the introduction of our 'Reconvened Board Risk Committee' which all Board members attend (whether they are a member of the Board Risk Committee or not) to discuss key topics such as capital, liquidity, and stress testing. Our new Board Environmental and Social Purpose Committee, established in January 2025, has been developing its role during the year, supporting the Board's oversight of the sustainability agenda.

During 2025, the Board approved the five year Corporate Plan, and the ongoing investments needed to deliver on that (the OnePlan). We also continued to oversee execution of the Society's strategic priorities and monitor key risk areas, with the support of the Board Risk Committee, making sure we remain financially strong and resilient in all areas, including cybersecurity and business resilience.

Promoting an ambitious culture is one of our strategic priorities and as a Board we are deeply committed to ensuring that, together with our behaviours, it is embedded throughout the Society.

Board effectiveness and ongoing development

During 2025 we've continued to ensure our new Board and Committee Architecture structure remains effective, making sure as a Board we are focused on what matters most for the Society's long-term success. We are also committed to continue learning and growing together as a Board. Rather than just relying on our existing skills and experience, we're committed to ongoing training and development.

This spirit of continuous learning will remain at the heart of what we do in 2026, as we continue to adapt to changes in the external environment and the needs of our members now and in the future.

Stakeholder engagement

We are grateful for the ongoing engagement of our members and colleagues, whose feedback helps shape a stronger, more resilient Society for the future. The Board is truly committed to listening and engaging with our stakeholders, supported by dedicated Non-Executive Director Champions for Members and Colleagues. In 2025, colleague engagement sessions provided honest and valuable insights into the highlights and challenges of their work and showed us the real impact our efforts have on members, customers and each other.

On a personal note, I was delighted to join a Colleague Forum alongside our Non-Executive Director for Workforce Engagement during 2025, Angela Darlington. We explored the evolving role of artificial intelligence (AI) within our Society and the conversation was a wonderful chance to hear directly from our colleagues.

Each year the AGM is a vital opportunity to connect with our members. We were pleased to welcome everyone, whether in person or online. It is important to us that members have every opportunity to join in and share their thoughts and valuable feedback.

Throughout the year, Board members have also taken the opportunity to gain insights from our members, whether through call listening or visiting branches in person. Feedback from these visits supports decision making and helps us continually improve member experience.

As Board Chair I also recognise the importance of engaging with our external stakeholders as part of my role in supporting the Society's long-term interests for the benefit of our members. I've enjoyed sharing ideas at industry roundtables and conferences and I'm proud to make sure the Society's voice is heard on important issues like regulatory change.

I'm a passionate advocate for fostering diverse, inclusive, and healthy workplaces alongside providing opportunities for colleagues to learn and grow through being mentored.

2026 and beyond

Looking ahead, as a Society we have a clear Purpose and strategy underpinned by investment in things that will make a real difference. We are seeing encouraging changes, like real-time inbound faster payments and improvements to our digital app and applications process, that make life easier for our members. For 2026 the Board's focus will be overseeing the implementation of the strategy in a way that delivers meaningful value for members as well as delivering for our various other stakeholders.

Annemarie Durbin
Chair of the Board
25 February 2026

Governance > Corporate Governance Report

Corporate Governance Statement

For the 2025 financial year we have applied the principles and complied with the provisions of the Code published in 2024 (available on the Financial Reporting Council’s website frc.org.uk) to the extent relevant to building societies (and in accordance with guidance issued by the Building Societies Association (BSA) Guidance available at bsa.org.uk).

As a mutual organisation we do not have shares or shareholders therefore provisions relating to references to long-term shareholdings in relation to remuneration (Provision 36) do not apply. We do, however, seek to apply the provisions of the Code that reference shareholders as appropriate to our members and in accordance with the BSA’s guidance.

Board and Committee architecture

Board	
Chair: Annemarie Durbin	
Collectively responsible for the long-term success of the Society.	
Board Committees	

The Board delegates certain matters to Board Committees to provide focused oversight of those areas within their roles and responsibilities.

Board Remuneration Committee	Board Audit Committee	Board Risk Committee	Board Governance and Nominations Committee	Board Environmental and Social Purpose Committee
Chair: Debra Davies	Chair: Peter Bole	Chair: Angela Darlington	Chair: Annemarie Durbin	Chair: Janet Pope
Oversees the development and implementation of the Remuneration Policy for all colleagues.	Reports to the Board on financial reporting, internal controls and risk management systems, Internal Audit and External Audit.	Oversees Prudential Risk, Operational Risk and Conduct Risk, Risk Strategy, Appetite and Oversight.	Oversees Board governance, including composition, succession and appointment processes for the Board.	Oversees the Society’s environmental and social purpose agenda.

The Board’s Schedule of Matters Reserved and Terms of Reference of its Committees are available on our website.

In addition to our five core Board Committees, the Board may also be supported by committees which are established as needed to allow dedicated time and focus for specific topics.

Board roles and responsibilities

Our Board is collectively responsible for the Society’s success and long-term sustainability. They are committed to acting in the best interests of our existing and future members while listening to our other key stakeholders and the wider community, as set out in Section 172 of the Companies Act 2006.

Further details of how we do this can found in the Section 172 Statement in the Directors’ Report.

The key decisions and matters reserved for the Board’s consideration are detailed in the Schedule of Matters Reserved to the Board. These include, but are not limited to, approval of the Society’s strategy, Purpose, behaviours and desired culture.

For more insight into the work of our Board during 2025 see the Our Board’s activities in 2025 section in this report.

The Board is supported by a robust governance framework, including:

Board and Committee Architecture

The Board and Committee governance structure supports effective decision-making, ensuring it aligns with the Society’s Purpose and strategy. In 2024, a review of the Board and Committee Architecture was conducted to ensure an appropriate structure was in place to provide oversight of the Society’s strategy. The outcomes were implemented and embedded during 2025.

Board composition

Ensuring the Board and its Committees remain fit for purpose, with the right skills and experience, enables it to continue to be effective and work for the long-term success of the Society for our members and customers. This is supported by strong succession planning and ongoing reviews of Board composition by the Board Chair and Board Governance and Nominations Committee.

Risk management

Ensuring continuous identification and review of principal business risks and their potential impact on the Society’s Purpose and long-term success, taking into consideration the agreed risk appetite.

Further details can be found in the Strategic Report and Risk Management Report.

Strategy and Purpose

Ensuring the Society has a clear direction which enables it to address current and future opportunities and challenges.

Further details can be found in the Strategic Report.

Stakeholder Engagement

Engagement with and participation from key stakeholders, such as our members and colleagues, supports decision making and the long-term success of the Society for our members.

Sustainability

Our sustainability commitments and goals support the delivery of our Purpose with our oversight provided by the Board Environmental and Social Purpose Committee.

People

Ensuring policies and procedures are consistent with the Society’s strategy, Purpose, and behaviours.

Culture

An ambitious culture and strong behaviours which support the delivery of our Purpose and strategy.



Compliance

Good corporate governance ensures that we meet legal and regulatory requirements and avoid any consequences of not doing so.

Brand and reputation

A clear and effective framework of corporate governance provides confidence to our stakeholders, supporting a positive brand reputation.

Fit for Growth

Ensuring that the Society is capability led.

Finance

Ensuring strong capital and liquidity management.

Climate governance

Our climate governance structure was strengthened in 2025 through the establishment of a new Board Environmental and Social Purpose Committee. This committee is chaired by Janet Pope, who was appointed to the Board as a Non-Executive Director in October 2024.

For further information on Janet’s background, see the Our Board and Executive Team section of the Governance Report.

Additionally, Fiona Cannon joined us as Lead Strategy and Sustainability Officer and was subsequently appointed Chief Strategy and Sustainability Officer in August 2025, with full executive responsibilities. Fiona remains Executive Committee sponsor for overarching sustainability reporting.

Our Board has ultimate accountability of financial risks for climate change and the associated responsibilities. It delegates to the following committees:

Board level		Executive level	
Board Environmental and Social Purpose Committee		Executive Environmental and Social Purpose Committee (Formerly Environment, Social and Governance Committee)	
Role: Delegated authority from the Board to support the Board in overseeing the environmental strategy.	Key 2025 activities: Approved the acceleration of our scope 1 and 2 Net Zero transition target from 2035 to 2030, alongside oversight of the Net Zero Transition plan.	Role: Delegated authority from Executive Committee to support in overseeing the environmental strategy.	Key 2025 activities: Approved Net Zero transition plans.
Board Risk Committee		Executive Risk Committee	
Role: Provides oversight of climate risk and sets the Group’s risk appetite in relation to climate-related exposures.	Key 2025 activities: Received six-monthly formal updates on climate-related work and progress.	Role: Responsible for managing the governance framework for climate risk, ensuring it is embedded within the Society’s overall risk management approach.	Key 2025 activities: Received key climate risk maturity update. Climate risk is now reported in the Chief Risk Officer report.
Board Audit Committee		Asset and Liability Committee	
Role: Oversees non-financial climate disclosures, ensuring transparency and alignment with regulatory expectations.	Key 2025 activities: Oversaw the external environmental disclosures in the ARA and Sustainability Report.	Role: Focuses on the financial risks associated with climate change, including balance sheet impacts and scenario modelling.	Key 2025 activities: Reviewed climate-related content for the Society’s ICAAP and ILAAP.
		Retail and Commercial Credit Risk Committee	
		Role: Manages credit risks linked to climate change across the YBS Group.	Key 2025 activities: Reviewed additional climate-related credit risk measures, discussed essential climate risk data and took an action plan to BESPC and EESPC.



Senior management accountability

The accountability for the senior management function for climate remains shared between the Chief Financial Officer and Chief Risk Officer:

Chief Financial Officer (CFO):

The CFO is responsible for managing the physical and transitional financial risks stemming from climate change. This includes accountability for leading the development and implementation of:

- Identification, measurement, monitoring and reporting of the financial risks of climate change, in line with our risk appetite including our risk exposure limits and thresholds.
- Scenario analysis (including a catastrophe modelling approach) to determine long-term financial risks and assess the impacts on our balance sheet.
- Disclosing the financial risks of climate change to the PRA.
- The climate related inputs into the wider sustainability reporting owned by the Chief Strategy and Sustainability Officer.

Chief Risk Officer (CRO):

The CRO has accountability for ensuring the development and implementation of:

- A governance framework to ensure that the Board understand and assess the financial risks from climate change which affect the Society, and address and oversee these risks within our overall business strategy and risk appetite.

Working groups

To support effective climate-related decision-making, we have two dedicated working groups:

- Climate Risk Working Group: Utilises subject matter experts to deliver tactical and strategic change with regards to understanding and reducing our financed emissions and exposure to climate-related risks.
- Climate Opportunities Working Group: Subject matter experts from across the organisation discuss how to maximise climate-related opportunities to support emissions reduction, particularly for financed emissions.

Setting our Purpose and generating long-term success

We are proud to be a mutual – it is what makes us different and enables us to deliver our Purpose and strategy for our members, but it’s also essential to the future of the Society as a modern mutual.

You can find out more on how we have brought our Purpose to life in the Board Activities and Engagement with stakeholders sections of this report together with the Our Strategy and Purpose section.

Our Board’s activities in 2025

Examples of some of the key activities our Board has undertaken during 2025 include:

<p>Member Value Clarification and definition of Member Value and our proposition.</p>	<p>Customer and Members Development of our Customer and Member proposition.</p>	<p>Board Strategy Session Support for the delivery of our strategic ambitions.</p>
<p>People Plan Oversight of the development of a revised plan to build a colleague base united by our Purpose and ambitious culture.</p>	<p>Our Purpose Articulation of an actionable definition of Real Help with Real Life.</p>	<p>Sustainability Review of our revised approach to sustainability.</p>
<p>Cyber Security Oversight of cybersecurity risks and development.</p>	<p>Transformation Oversight of our One Plan underpinning the Budget and Corporate Plan.</p>	

Alongside regular updates from our Chief Executive and Chief Financial Officer, the Board’s annual agenda is anchored by a series of key strategic approvals. This includes the review and approval of the following each year to ensure the Society’s ongoing strength and resilience:

- Five-year Corporate Plan and Annual Budget.
- Financial Reports.
- Internal Capital Adequacy Assessment Process (ICAAP).
- Internal Liquidity Adequacy Assessment Process (ILAAP).
- Operational Resilience Self-Assessment.
- Recovery Plan and Resolution Assessment.
- Consumer Duty Assessment.

In every decision, the Board considers the perspectives and interests of all key stakeholders - including our colleagues, members and customers, government bodies, regulators, investors, and partners. For more details on how we engage with our stakeholders, please see the Engagement with stakeholders section.

Board decision making in practice – Purpose articulation

For more than 160 years, we have been delivering our Purpose of providing Real Help with Real Life. However, last year, we asked the key question of what this really means in practice. Working with our stakeholders, we co-created a clearer definition of our Purpose to provide focus and direction, drive effective decisions and create value for our members. More detail on this can be found in the section below.

Considering feedback from leaders, colleagues, members, customers, lending partners and prospective members and customers, the Board approved a sharpened definition of our Purpose, together with an accompanying strategic framework that sets out our business ambitions and priorities in its context. Our evolved Purpose will guide decision making across the Society and shape the delivery of our strategy.

More information can be found in the Strategic Report.

Engagement with stakeholders

As a mutual, it’s important our members have a say on how the Society is run and the products and services offered. We really value our members contributions and are committed to maintaining strong relationships with our stakeholders by listening to what they want through the channels set out below. For our colleagues, we have a structured colleague voice framework - including forums, surveys, and listening sessions with the Board - which helps colleagues at all levels to share their views. Together with members, the feedback influences the decisions we take as we support the Society to deliver its Purpose and strategy.

Our Board is committed to maintaining a strong relationship with its stakeholders and recognises the important contribution that makes to achieving the Society’s Purpose and delivering its strategy. This includes understanding the views, areas of interest and / or any concerns they may have as part of Board decision-making.

The table below summarises our key stakeholders and how we engage with them:



Members and customers

As a mutual, we’re owned by, and exist for the benefit of, our members.

We’re also here for our wider set of customers – those with Accord Mortgages and YBS Commercial Mortgages.

How we engage:

- **Board Engagement:** Our Board listen to customer calls in operational areas and visit branches to better understand what matters to members and customers, through direct calls and from the perspective of our colleagues. Board and committee papers include details of how member and customer views have been considered, together with any potential implications for them, to inform any recommendations.
- **Board Champions:** Our Non-Executive Director, Mark Parsons, is both our Member Champion and Customer Duty Champion. This dual role ensures the perspective of our members remains central to Board discussions.
- **Events:** In 2025 these included in-branch meetings with customers and members, Purpose workshops in London and Bradford to help shape the definition, and ‘Your Time to Talk’ events, which are held online, and in person. Across both events, members attended to hear from our CEO Susan Allen and numerous other senior leaders. In June, we invited over 680,000 members to submit questions online for our teams of experts to answer. We received over 600 questions which were grouped into topics to form five online videos covering savings, mortgages, branches, wider society and the economy.
- **Feedback:** Our Customer Insight function supports better decision making by turning data into actionable insight. The My Voice community panel gathers member views through surveys, discussion rooms, and polls, with 2,400 participants and an average engagement rate of 83%. Alongside this, our Customer Experience programme measures advocacy, loyalty, and satisfaction across our brands through relationship, milestone, and interaction specific surveys.
- **Direct engagement:** Our specialist teams are ready to support people face-to-face, online through web chat and secure messaging, or by phone, email and letters. They work proactively and reactively depending on members’ need handling more than 600,000³⁹ calls, 96,800 secure messages and 16,300 web chat queries in 2025. We also regularly host in branch events focused on financial education and raising awareness of frauds and scams.
- **Annual General Meeting (AGM):** This meeting is a cornerstone of member engagement for our Board, providing the opportunity to present performance highlights, future plans and invite questions and feedback. Our members can attend both online and in person to ensure as many can be involved as possible. Members were also able to call, email or write with their questions and responses were issued in a timely manner.

Voting at the AGM is one of the important ways in which our members can get involved and vote on important matters, including the directors who represent them on the Board. The UK Corporate Governance Code expects that if there is a vote of 20 per cent or more against any resolution put forward by our Board at the AGM, we should give details of how we will consult our members to understand the reason why. The Society has a process in place if this happens. There were, however, no votes of 20 per cent or more against any of the resolutions our Board put forward at the 2025 AGM.

- **Net Promoter Score (‘NPS’) tracking:** Tracking NPS is one way we ensure that we’re striving to deliver the best possible customer service. Our NPS targets are agreed by the Remuneration Committee and form part of our colleague recognition scheme.
- **Mortgage brokers:** We engage with brokers on a proactive basis via face-to-face, telephony and virtual appointments, industry-wide and localised events and a broad range of communication and marketing channels. With our Accord Mortgages brokers, we’re proud of our popular ‘Growth Series’ online content, which helps brokers to grow their business with free podcasts, webinars and guides. For YBS Commercial Mortgages we work with the National Association of Commercial Finance Brokers (NACFB) and have a colleague on its Board. We also host roundtables to gain feedback from brokers and others in the market.

³⁹ Data covers reporting period January – October 2025, with November and December estimated

Colleagues

Our colleagues all play a part in helping us do right by our members and customers.

We're committed to a diverse, inclusive and engaged workforce to deliver our Purpose.

How we engage:

- **Live events:** We host in-person and virtual events for colleagues to hear updates on our plans and strategy throughout the year, including Leader Connect and Colleague Connect sessions and organised lunches with colleagues and senior leaders. Colleagues had the opportunity to speak openly with executives about topics such as mentoring and colleague engagement. We also host Ask Exco Anything meetings, which are open to everyone. In 2025, a number of sessions took place, providing colleagues across the business with a chance to ask questions. These sessions are recorded and shared with colleagues who couldn't join in person, so everyone benefits from the insights.
- **Supporting our leaders to engage:** We support leaders with bi-monthly information packs to cascade to teams and hold meaningful conversations.
- **Colleague networks and groups:** Our colleague networks and groups provide safe spaces for colleagues to connect, share experiences, and engage on important topics. In 2025 they supported colleagues through awareness events, policy reviews, and initiatives e.g. accessibility passports, with two members of senior leadership sponsoring and guiding each network.
- **Feedback:** We carry out colleague engagement surveys twice a year and an annual Diversity, Equity and Inclusion survey. In 2025, 89% of colleagues completed the colleague engagement survey, highlighting areas we should focus on as an organisation to improve the workplace for colleagues.
- **Intranet:** Internally, we have a place to share essential work updates as well as provide a space for colleagues to share the things that matter to them, regular blogs from the Executive Team and important product and service updates.
- **Colleague forum:** The Colleague Forum was established as a key mechanism for colleague engagement. Our Workforce Engagement Non-Executive Director attends each session to ensure there's a direct link between colleague feedback and Board-level discussions. Its primary purpose is to inform and enrich senior conversations by ensuring colleagues' views are heard and considered across a broad range of topics. In 2025, this included health and wellbeing, risk, artificial intelligence and our Purpose. The forum continues to evolve with a mix of face-to-face and online sessions supporting high levels of attendance. We have representatives from different areas of the business who are responsible for collating and sharing colleagues' feedback, along with our Colleague Network Co-chairs who are also invited to share feedback on the topics raised.
- **Board engagement:** We have a Non-Executive Director for Workforce Engagement, who supports the Board in understanding the views of our colleagues to enable them to be considered in discussions and decision making. Angela Darlington handed over these responsibilities to Elaine Bucknor on 1 January 2026. The Board see annual assessments from our Colleague Voice Framework, get health and safety and whistleblowing reports, and host face-to-face and online forums to make sure colleague views are heard and considered. Their views are also an essential part of Board and committee paper submissions.
- **Colleague listening groups with Non-Executive Directors:** Board colleague engagement events continue to be held to enable colleagues to raise any questions they have directly with our Non-Executive Directors. In March 2025, this included meetings with our YBS Commercial Mortgages colleagues at our Peterborough Office. As part of the October Board meeting cycle, the Board hosted a Colleague Engagement event at our Yorkshire Drive Head Office. The event was focused on our One Plan (Transformation) programmes.

Communities

We're committed to making a positive contribution socially and to the planet in the local, regional, and national communities in which we have a presence. We regularly engage with charities, community groups and partner organisations based in the areas where our members and colleagues are based.

How we engage:

- **Community partners:** We're a member organisation that contributes to, and benefits from, the work of Business in the Community, with representation on the Leadership Council, Yorkshire & Humber Leadership Board, Yorkshire & Humber ED&I Network and Bradford Place Board. We also work with Skills House, part of Bradford Council, to support students from educational institutions in lower socio-economic areas or diverse communities and we met with a range of community stakeholders from Bradford to host a roundtable discussion to understand, and suggest solutions to, barriers to employment in the city.
- **Charity partners:** Since November 2023 we've partnered with FareShare as our charity partner, with the aim to support people into employment. We also work closely with Citizens Advice and knowledge share to gain deeper insight into the support people need and how our products and services could be designed to fill any gaps. We support trustees of the Yorkshire Building Society Charitable Foundation and worked together to strategically align funding criteria in 2025. Our colleagues also volunteer their time in their communities and retail and office sites hold cause collections to support local causes with much-needed items from food items to toys and clothing.
- **Environmental partners:** We support and engage with the Yorkshire and the Humber Climate Commission, the Sustainable Business Consortium, the Green Finance Institute, the Asset and Liability Management Association (ALMA) and the Green Finance Taskforce, part of the Building Societies Association. In 2025 we worked with the Centre for Greening Financial Institutions to produce a campaign that highlights the risks of flooding and overheating to raise awareness with customers, but also to be used internally to help with making decisions.
- **Sector engagement:** Working with other building societies gives strength in numbers, and we often meet with our mutual peers to discuss issues that matter to our members and customers, challenges the sector may be facing or action we can take together for the greater good. UK Savings Week is a great example of how joint support can lead to increased awareness, and prompt more people to act.
- **Board engagement:** Our Chair, together with our wider Executive Team and colleagues supported students in Bradford at our Work Immersion Days, helping to prepare them for the world of work. Our Chair also visited the city's branch to see our partnership with Citizens Advice in action.

Government and regulators

We work in close partnership with regulators to ensure our operations meet the highest standards of compliance, helping to safeguard our business and protect our members. We also engage constructively with central and local government to advocate for policies that support financial inclusion, sustainability, and stronger communities.

How we engage:

- **Government:** We engage with political stakeholders to maintain and build relationships, while protecting and enhancing the reputation of the Society. We also lobby for change in the interest of our members, customers, communities and the Society. In 2025, we lobbied the Government on the impact of changes to the ISA limit, Loan-to-Income reform, a review of stress testing rules for mortgages and for financial education to be part of the national curriculum.
- **Regulators:** We have regular meetings with both the FCA and PRA. The PRA conduct an annual assessment and highlights what it considers to be our key risks and vulnerabilities to be addressed the following year, helping us to improve. We participate in thematic reviews conducted by the regulators, to help them assess and understand any emerging risks, and through industry bodies we engage with relevant consultations.
- **Board engagement:** Our Board also engages with other stakeholders such as regulators and industry bodies, considering updates and inputting as appropriate to relevant consultations, conferences and forums.

Wholesale funding investors and rating agencies

Wholesale funding investors play a vital role in helping us meet our funding and MREL needs. Both current and prospective investors are interested in our Purpose and strategy, financial performance, and sustainability practices in order to carry out their due diligence processes. To support these interests, our Investor Relations activities are complemented by external disclosures, as well as Credit and ESG ratings and opinions from independent rating agencies.

How we engage:

- **Annual reporting:** Our year-end and mid-year reporting suite, includes the Annual Report and Accounts, Interim Results, Regulatory News Service announcements, Investor Presentation and Sustainability Report; and are produced with investors in mind – to provide clear disclosures and to enable informed decisions.
- **Direct engagement:** Our investor relations activities provide investors the opportunity to directly engage with our management through ways which include conferences, virtual calls, face-to-face meetings and presentations. We maintain an active relationship with the credit rating agencies, including communication of our financial results, and annual review meetings.

Partners

We work with multiple partners from suppliers to brokers and agency proprietors who hold the same values as we do.

We're proud to be held to the highest standards by industry bodies and trade unions to act in the best interest of our members, customers and colleagues.

How we engage:

- **Suppliers:** We engage with suppliers through specialist relationship management teams via a combination of regular face-to-face meetings and events, telephone calls, emails and online supplier portals to build trust and relationships.
- **Aegis the Union:** For mutual benefit, we maintain an ongoing and constructive dialogue with Aegis throughout the year. This includes collaborating on strategy, priorities, pay negotiations, and any significant organisational changes to ensure transparency and the alignment of shared goals.
- **Agency proprietors:** We engage frequently with our agencies to make sure they feel supported to deliver the service our members and customers expect. Each agency has a dedicated Retail Area Manager that meets with them face-to-face or remotely monthly where possible, but quarterly as a minimum, to share updates and answer any queries they may have.
- **Yorkshire and the Humber Financial and Professional Services Skills Commission:** After founding the Commission, we continued to work with it in 2025 to identify the skills challenges facing our sector in Yorkshire. Our Director of People and Culture attended roundtable discussions as a representative, bringing together employers, education providers, and policymakers, to continue collaboration between stakeholders in the region.



Our culture

Our Board values the positive impact a strong and supportive culture has on everyone connected with our Society – it's not just about what we do, but how we do it every day. We're building an agile, efficient ambitious culture that supports our Purpose and constantly improves experiences for our members, customers and colleagues.

Our approach to the development and embedding of our ambitious culture strategic pillars was agreed in 2025, which our colleagues had an important role in. In particular, we sharpened our focus on two key aspects of our culture; pace and accountability. The Board oversaw how our sharpened Purpose and culture were being rolled out by the Executive Team and this will continue to be a key area of focus in 2026.

When it comes to culture, the Board and Executive Committee lead by example and regularly reflect on and hold themselves to the high standards set out in their shared Charter which is linked to the Society's behaviours.

Whistleblowing

Our Board approves the Whistleblowing Policy on an annual basis and oversees its implementation. We also have a Whistleblowing Champion who is a key point of contact for individuals who wish to report concerns. Our Whistleblowing Champion to 31 December 2025 was one of our Non-Executive Directors, Guy Bainbridge. From 1 January 2026 Non-Executive Director Angela Darlington became our Whistleblowing Champion.

Directors' duties

Section 172 of the Companies Act 2006 describes the duties of company directors in respect of promoting the business and considering other stakeholders. This does not apply to our directors as we are a mutual building society, not a company, but the UK Corporate Governance Code (which we follow as a standard of good governance) expects boards to report on how they have considered the matters set out in Section 172 in decision making. Our Section 172 Statement is set out in the Directors' Report.

Conflicts of interest

Our Board has a Directors and Chief Officers Conflicts of Interest Policy which sets out how we will review and, where appropriate, approve any conflicts or potential conflicts of interest. The Policy is reviewed on an annual basis by the Board Governance and Nominations Committee and recommended to the Board for approval.

Any interests and associated conflicts are recorded in a Register of Interests, changes to which are monitored by our Board Governance and Nominations Committee.

If any director wants to take on a new external position it must first be approved by our Board, which will consider whether there could be any conflicts of interest and / or an impact on the time they commit to their role with us.

Division of responsibilities

Board roles and division of responsibilities

The roles and responsibilities of the Non-Executive and Executive Directors of our Board are set out below:

Non-Executive Directors	
Board Chair	<ul style="list-style-type: none"> Leadership of the Board. Ensures the Board acts effectively, promoting high standards of corporate governance. Leads the annual review of the performance of the Board, its Committees, and directors. Identifies ongoing development needs of the Board. Leads the Board in the approval of the Society's Strategy, Corporate Plan, One Plan, Budget, Risk Appetite, Capital and Liquidity Plans and Culture.
Vice Chair	<ul style="list-style-type: none"> Deputises both internally and externally for, and provides support and guidance to, the Board Chair.
Senior Independent Director	<ul style="list-style-type: none"> Acts as an intermediary for other directors. Leads the performance evaluation of the Board Chair. Acts as the main point of contact for the Society's members should the normal channels of communication fail.
All Non-Executive Directors	<ul style="list-style-type: none"> Responsible for bringing independent judgement to Board decisions and debate. Use their own experience and skills to constructively challenge the Executive Team. Responsible for continuing their own learning growth and development to remain relevant.
Executive Directors (in addition to serving as a member of the Board)	
Chief Executive Officer	<ul style="list-style-type: none"> Overall responsibility for leading the Society. Leads the formulation of the Strategy, Corporate Plan, One Plan and Budget for the Board's approval. Implements the strategies and policies agreed by the Board, supported by the Executive Team, through a number of management and risk committees.
Executive Director	<ul style="list-style-type: none"> Responsible for the day-to-day management of specific areas of the business including maintaining the Society's financial strength and sustainability. Brings associated skills and knowledge to the Board.
Group Secretary	
Advises the Board Chair and the Board as a whole on all governance matters, supporting the effective operation of the Board.	

Independence

All the Non-Executive Directors continue to be considered independent based on the guidance in the Code and as set out in the Our Board and Executive Team section. The Board Chair was considered to be independent on appointment.

Attendance at Board and Committee meetings

The table below shows our directors and the scheduled Board and Committee meetings they attended during 2025 (where they were a member during the year) followed by the number of meetings the director was eligible to attend.

Director	Board	Board Strategy/ Planning	Board Committees				
			Board Audit	Board Governance and Nominations	Board Remuneration	Board Risk	Board Environment and Social Purpose
Board Chair							
Annamarie Durbin	7/7	2/2	-	4/4	-	-	-
Non-Executive Directors							
Guy Bainbridge¹	7/7	2/2	6/6	4/4	-	4/4	-
Peter Bole²	7/7	2/2	5/6	-	1/1	-	-
Elaine Bucknor³	2/2	1/1	-	-	-	0/1	-
Angela Darlington	7/7	2/2	6/6	4/4	-	4/4	-
Debra Davies	7/7	2/2	-	-	5/5	4/4	3/3
Dina Matta⁴	5/6	2/2	-	-	4/4	-	-
Mark Parsons	7/7	2/2	6/6	4/4	-	4/4	3/3
Janet Pope	7/7	2/2	-	-	5/5	-	3/3
Executive Directors							
Susan Allen	7/7	2/2	-	-	-	-	-
Tom Ranger	7/7	2/2	-	-	-	-	-

1. Guy Bainbridge stepped down from the Board, as Vice Chair and from his Committee roles with effect from 31 December 2025.
 2. Peter Bole joined the Board Remuneration Committee with effect from 26 September 2025 and the Board Risk Committee with effect from 22 October 2025.
 3. Elaine Bucknor joined the Board and the Board Risk Committee with effect from 26 September 2025.
 4. Dina Matta stepped down from the Board and the Board Remuneration Committee on 22 October 2025.

In 2025 the following formal ad hoc meetings were also held:

- Board in relation to key contract arrangements.
- Board Risk Committee meeting in relation to LTI Risk Appetite.
- Joint Board Audit Committee and Board Risk Committee meeting in relation to the requirements of Provision 29 of the Code.
- Board Governance and Nominations Committee meeting in relation to Non-Executive Director recruitment.

In addition, a number of Board and Committee workshops have been held on key topics that all directors were able to attend (or otherwise view a recording) during the course of the year.

If a director cannot attend a meeting for unavoidable reasons, they will still receive the papers and are encouraged to share their thoughts with the Chair ahead of time. When a new director joins the Board they may have some unavoidable pre-existing commitments which can lead to less than full attendance. However, any director in this position provides comments to the Board or Committee Chair in advance of the meeting and has the opportunity to engage offline with the relevant members of the Executive Team.

The Board Chair and Chief Executive are usually invited to all Committee meetings and the Chief Risk Officer is invited to attend all Board meetings.

Should an urgent decision be needed between meetings, a written resolution can be used, provided all directors (or members for a Committee) approve in accordance with our Rules.



Directors' time commitment and other directorships

All Non-Executive Directors are expected to ensure that they have enough time for the responsibilities of their role and to support this:

- Availability and other commitments are reviewed and considered when recruiting and prior to appointing new Non-Executive Directors.
- Each Non-Executive Director has a letter of appointment which sets out the expected time commitment for the role.
- If a director is intending to take on an additional external appointment this is reviewed and, if appropriate, approved before it is taken up. Our Board Governance and Nominations Committee, and Board where appropriate, will consider the impact any additional role would have on the time they could commit to their role with the Society.
- A review of time commitment is also included as part of the one-to-one sessions held each year with individual directors.

Prior to appointment the significant commitments, including the time involved, for Non-Executive Directors is disclosed and reviewed. For 2025 this included Elaine Bucknor who joined the Society in September 2025.

Additional external appointments for Directors require prior approval in accordance with the Conflicts of Interest Policy. There was one significant external appointment during 2025, in relation to a Non-Executive Director role for Debra Davies at Nomura International Plc. Prior to approval the overall impact on time commitment was considered to ensure it would not impact existing commitments to YBS.

None of the Executive Directors have held any non-executive directorships in a FTSE100 company during 2025.

The Board Governance and Nominations Committee continued to monitor all commitments throughout the year through the Register of Interests.

During 2024, a review of the Board and Committee Architecture was completed which was approved by the Board in December 2024. In conjunction with this an extensive review of Non-Executive Director time commitment and fees was also undertaken, including an external benchmarking exercise. As a result of the review, and taking into account the increased requirements of the Non-Executive Director role and the outcomes of the time commitment and fees review, the non-conflicted members of the Board (i.e. the Executive Directors and Board Chair) agreed a revised time commitment for all Non-Executive Directors (excluding the Board Chair) together with the associated fees effective from 1 January 2025. Revised letters of appointment were issued to all Non-Executive Directors.

Composition, succession and evaluation

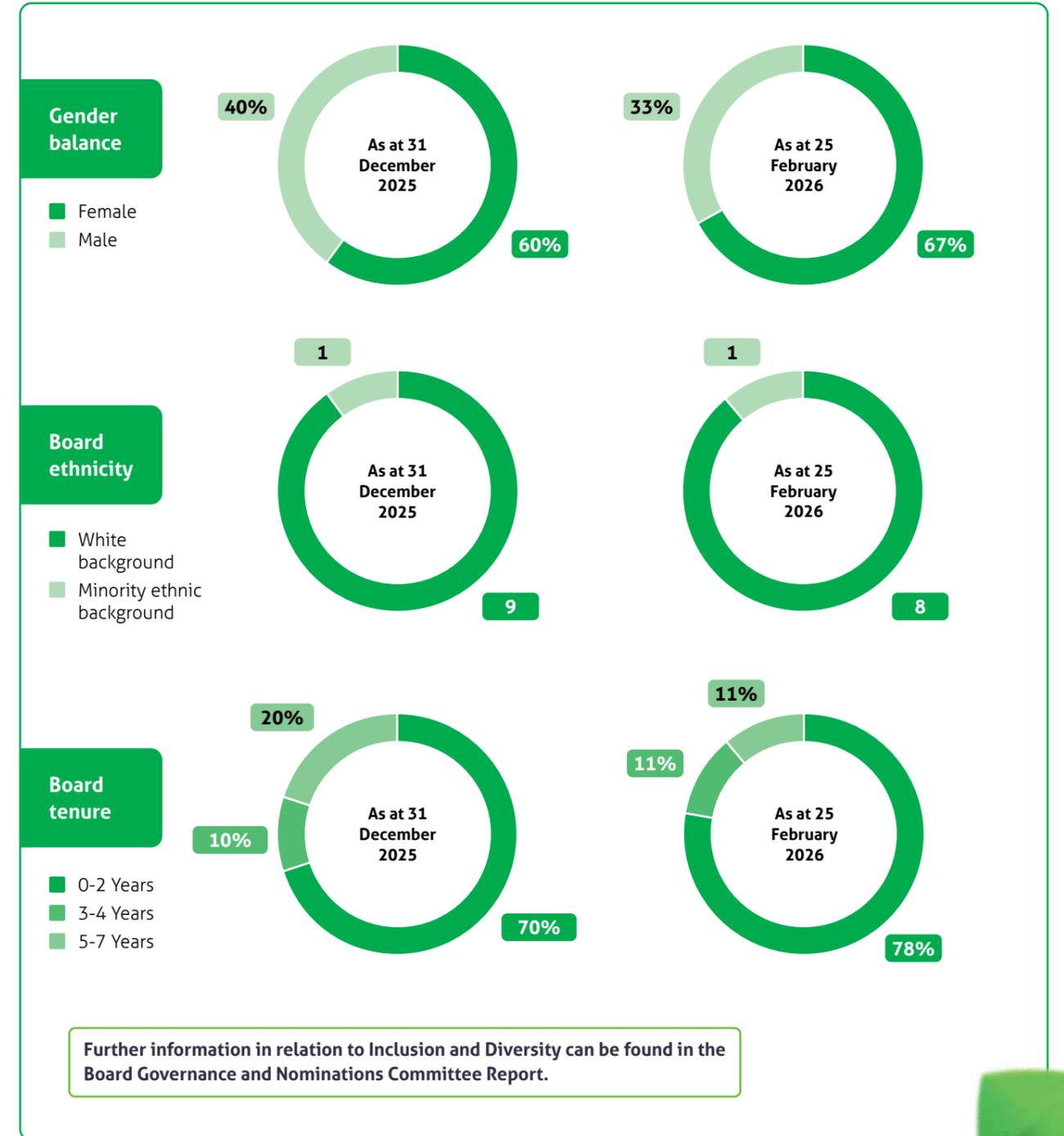
Election and re-election of directors

All of our directors are subject to election on appointment and annual re-election by our members at the AGM based on the best practice set out in the Code (our Rules require the re-election of our directors to take place at least once every three years).

Details of each individual director's contribution are set out in the booklet accompanying the Notice of AGM sent to all qualifying members. The profiles in the Our Board and Executive Team Section, and available on our website, also set out the skills and experience of individual directors.

Board composition

Details of the composition of the Board are set out below for both the period end, 31 December 2025 and 25 February 2026 noting that Guy Bainbridge stepped down from the Board on 31 December 2025.



Tenure

A summary of the tenure of the current Board is set out in the Board Composition section. In accordance with the Code, the Board Chair has not been in post for more than nine years having joined the Board in December 2023.

Annual Board effectiveness review 2024

After a thorough external review in 2023, our Board took the opportunity in 2024 to complete an internal review of its effectiveness. The review focused on the actions identified and progress made against the recommendations from the external review.

The outcomes of the 2024 review were used to develop the Board Effectiveness Action Plan actions for 2025. Key themes for the 2025 Action Plan, along with the progress we've made are set out below:

Area for Focus	Update
Embedding the new Board and Committee Architecture ensuring there are no gaps and overlaps.	<p>The new Board and Committee Architecture was implemented from 1 January 2025 and embedded during 2025 with the development of a supporting Governance Map. Progress was reviewed in July 2025 to ensure that there were no overlaps or gaps arising. This has been supported by an external review in Quarter 4 2025, the outcomes of which were considered at the Board meeting in 2026 with no significant issues arising.</p> <p>A key outcome has been to ensure that the Board has the space to consider the key strategy items for the Society whilst the Committees undertake the deep dives based on their areas of responsibility.</p> <p>There has also been a focus on reviewing and refining the approach to our practices underpinning Board governance, including minutes, agendas and papers.</p>
Ensuring effective oversight of Executive Succession and effective interplay between the Board and Executive Committee.	<p>Significant work has been undertaken by the Board Governance and Nominations Committee in relation to Executive Succession on behalf of the Board. Regular reports have been received including in relation to the development of a diverse pipeline.</p> <p>The Board and Executive Committee have agreed a Charter setting out the high level principles of engagement.</p>
Reviewing and ensuring the Society's Purpose and related priorities are clearly defined.	<p>Significant work has been undertaken in relation to reviewing and ensuring the Society's Purpose and related priorities are clearly defined. Further detail is set out in this report together with the Strategic Report.</p>

Annual Board effectiveness review 2025

As an external review was completed in 2023, an internal effectiveness review process was once again undertaken in 2025. The outcomes of the review were discussed at the Board meeting in January 2026 and there were no significant issues arising. Further details will be provided in the Annual Report and Accounts for 2026.

For further details on the process followed for the Board and Committee evaluations please see the Board Governance and Nominations Committee Report.

Board training and development

A learning mindset is something we look for in all our directors. As a modern Board it is essential that all directors continue to learn, grow and develop to support our modern Society. To support this, the Board has a formal Training Plan to ensure that there is an overarching plan in place for the Board as a whole which sets out the training and development requirements for the year. The Training Plan is agreed and overseen by the Board Governance and Nominations Committee on behalf of the Board and takes account of future strategy, key topics which would benefit from an external perspective, annual Board Effectiveness Review, Board Skills Matrix, succession plans and regulatory and governance expectations as appropriate.

The Training Plan covers those development areas which are required for the Board as a whole, with individual training and development incorporated into personal development plans. The Training Plan includes external speakers / facilitators where it is considered that an external perspective would support strategy discussions and / or Board decision making.

During 2025 Board and Board Committee workshops, training and development topics included:

- Structural Hedging and Hedge Accounting
- ICAAP
- ILAAP
- Recovery Planning
- Effectiveness and Strengths
- Provision 29 Insights
- Broker Market
- Climate
- Political Environment in the UK and its impact on retailers
- Marketing and Competitor Updates
- Insights on cybersecurity (presented bi-annually from our independent Board Cyber Adviser)

During the course of the year the Board and Executive Committee have engaged in a number of formal sessions and informal engagements designed to foster effective relationships.

Our Board is committed to being a modern, learning-focused Board which means we encourage continuous learning and development to support both individual growth and for the benefit of our Society as a whole. As such, the formal Board Training Plan is also complemented by self-directed and continual learning by directors together with operational visits such as colleague listening and branch visits.

Executive and Non-Executive Director induction plans

Comprehensive, formal, and tailored induction plans are put in place for all Executive and Non-Executive Directors on joining the Board, based on their skills and experience. For Non-Executive Directors this includes a specific induction programme for any Committees they will be joining. Role specific inductions are also arranged where a director takes on a new role or Committee membership as appropriate.

The Board Governance and Nominations Committee monitors the completion of all Executive and Non-Executive Director induction plans.

For 2025 that has included an induction plan for Elaine Bucknor who was appointed as a Non-Executive Director in September 2025.

More information on our Board is available in other sections of this document:

Succession planning for the Board	See the Board Governance and Nominations Committee Report.
Skills and experience of our Board and Committees	See Our Board and Executive Team profiles.
Recruitment and appointment of Directors	See our Board Governance and Nominations Committee Report.
Board diversity and inclusion	See our Board Governance and Nominations Committee Report.

Audit, risk and internal control

Our Board has overall responsibility for audit, risk and internal control, and delegates oversight to its committees:

Ensuring that both internal and external audit are effective	More information can be found in the Board Audit Committee Report.
Setting our risk appetite	More information can be found in the Risk Management Report.
Our systems of internal controls	More information on the internal controls framework can be found in the Board Audit Committee Report.

The Board receives quarterly reports from the Chief Risk Officer to enable it to monitor the effectiveness of the risk management framework and internal controls systems. The Board Risk Committee reviews the effectiveness of the risk management framework. The Board Audit Committee reviews the effectiveness of internal controls at least annually with the outcomes reported to the Board by the Committee Chair.

Remuneration

Our Board Remuneration Committee has delegated responsibility for setting the policy on the remuneration of Executive Directors as well as setting the remuneration for the Board Chair and other members of the Leadership Team.

For further details please see the Directors' Remuneration Report.

The remuneration of Non-Executive Directors is a decision reserved for the Board's approval and is reviewed by the Executive Directors and the Board Chair only.

Annemarie Durbin
Chair of the Board

25 February 2026

BOARD GOVERNANCE AND NOMINATIONS COMMITTEE REPORT

A word from the Board Governance and Nominations Committee Chair

As Chair of the Committee, I am pleased to share this report on our work throughout 2025.

As a Committee, we are focused on ensuring that the Board's composition and our governance structures support our Purpose and make a real difference for our members and the wider community. Our work is guided by our commitment to delivering value for our members and ensuring their interests are reflected in Board decisions and governance structures.

Succession planning remained a top priority for our Committee in 2025. Two Non-Executive Directors stepped down during the year and we welcomed Elaine Bucknor to the Board following a thorough recruitment process overseen by the Committee. Elaine brings a wealth of experience covering areas including technology transformation and growth and spearheading cybersecurity. She also brings a fresh perspective that will be invaluable as we evolve and meet our members' changing needs. Having served three years as our Board Remuneration Committee Chair, Debra Davies will be stepping down from the Board following the AGM. She will be succeeded by Janet Pope who has been a member of the Committee for more than 12 months.

We are well progressed towards appointing one or two more Non-Executive Directors. We have embraced a new approach by partnering with Nurole online Non-Executive Director platform, reinforcing our ambition to remain a forward-thinking mutual. This helps us to reach a broader pool of talented individuals who can make a real difference to our Board and Committees. Our aim is to ensure stability and continuity, whilst also injecting fresh perspectives into the Board to support the delivery of our Strategy. It is possible that for a short period we may fall below the minimum of nine Board directors as set out in the Society's Rules but we expect that to be normalised in the next few months.

We understand the importance of our role in overseeing executive succession planning to ensure the long-term success of the Society.

We know that thoughtful succession planning is not just about filling roles, it's about ensuring our Society's continued strength and stability, now and for years to come and ensuring we have the right people to support a modern Society. Throughout 2025, we've focused on the work being done to build a strong and diverse pipeline of talent for key positions in our senior leadership team.

I am pleased to say our first Board Fellow will have completed a full year in the role in February 2026. This role has not only provided valuable, hands-on experience for the Fellow but it has also enriched our Board discussions with fresh perspectives. It's inspiring to see how this opportunity is helping to shape a future leader.

Our new Board and Committee governance structure was introduced at the beginning of 2025 following the work we reported in the Annual Report and Accounts for 2024. We have continued to monitor progress throughout 2025 to ensure that the improvements have taken root and are making a positive impact, allowing our Board to focus on key areas of strategic oversight whilst our Committees do the deep dives in their areas of expertise. As part of this journey, our Committee has embraced a broader role, now overseeing the governance of our Society's subsidiary companies and executive governance. This expanded responsibility is all about building strong and meaningful connections between our Board, executive teams and the wider Group, ensuring we work seamlessly together for the benefit of our members and customers. It was heartening to see from our 2025 Board Effectiveness Review that the new governance structure is working well and we will continue to hone this in 2026.

As a Committee we understand the importance of our role in overseeing the approach to Board and Committee training and development. Our commitment to being a modern, learning-focused Board means we encourage continuous learning and development to support both individual growth and for the benefit of our Society as a whole.

As we look ahead to 2026, the Committee remains committed to ensuring there continues to be a Board and Committee structure that truly reflects the evolving needs of our Society. Our focus will be on ensuring we have a diverse and dynamic team that supports the delivery of our Purpose and champions the interests of our members and key stakeholders.

Annemarie Durbin

Board Governance and Nominations Committee Chair

25 February 2026

Board Governance and Nominations Committee members and meetings

The members of the Board Governance and Nominations Committee are:



Annemarie Durbin
Board Chair



Angela Darlington
Board Risk Committee Chair
Vice Chair
from 1 January 2026



Mark Parsons
Senior Independent Director

Guy Bainbridge (former Vice Chair) was a member of the Committee to 31 December 2025 when he stepped down from the Board.

Our Board appoints members to the Committee and all members are independent Non-Executive Directors, with the exception of the Board Chair who was considered independent on appointment in accordance with the UK Corporate Governance Code (the Code).

You can find out more about the skills, qualifications and experience of the Board Governance and Nominations Committee members in the Our Board and Executive Team section.

Only members of the Board Governance and Nominations Committee are entitled to attend its meetings, although others may be asked to attend all or part of a meeting. The Chief Executive, Chief People Officer and Group Secretary are usually invited to attend each meeting, although they are recused for any matters which may relate to them.

In 2025 the Committee held four scheduled meetings and one ad-hoc meeting to discuss Non-Executive Director recruitment.

Details of the number of scheduled Committee meetings attended by each member is available in the Corporate Governance Report.

The written resolution process was not used during 2025.

Board Governance and Nominations Committee responsibilities

The key responsibilities of the Board Governance and Nominations Committee include:

- Reviewing the Board's structure, size and composition, considering succession plans, diversity, key skills and experience.
- Overseeing succession planning for the executive and senior leadership teams, including the development of diverse pipelines.
- Agreeing the annual evaluation process for the Board and its Committees.
- Overseeing the appointment process for Non-Executive Directors, Executive Directors and other key Board roles.
- Agreeing the annual Board Training Plan for the Board.
- Reviewing governance arrangements and monitoring corporate governance developments.
- Reviewing and recommending the Directors and Chief Officers Conflicts of Interest Policy for approval and monitoring potential conflicts.
- Reviewing and recommending the Board Diversity Statement for approval.
- Overseeing subsidiary and executive level governance.

Further detail on the role and responsibilities of the Committee can be found in the Terms of Reference which are available on our website.

Governance > **Board Governance and Nominations Committee Report**

The Terms of Reference of the Board Governance and Nominations Committee are reviewed annually to ensure it continues to fulfil its responsibilities and meets regulatory requirements and good practice. To allow for any changes identified in relation to the review of Board and Committee Terms of Reference as part of the Board and Committee Effectiveness Reviews, more details of which are set out in this report, the approval of the latest annual Terms of Reference reviews will be completed in Quarter 1 2026 (which aligns with the implementation of the current Terms of Reference in January 2025). Throughout 2025, the Committee fulfilled the requirements of its Terms of Reference, with particular emphasis on the following areas:

- Board composition and succession, including the impact of changes on our Board.
- Chief Officer and senior leader succession planning.
- Effectiveness of our Board and Committee architecture.
- Diversity and inclusion of our Board and the development of a diverse talent pipeline.
- Board and Committee effectiveness including oversight of our Board Effectiveness Action Plan.

The Committee is committed to ongoing development and learning and receives regular updates in relation to Corporate Governance developments. Specific training sessions are arranged if required, such as when there are significant changes in Code requirements.

Board Governance and Nominations Committee Effectiveness Review

In 2024 the Committee completed an internal effectiveness review and identified the following actions which were incorporated in the Committee's work in 2025:

Area for Focus	Update
Continued oversight of Executive Succession	Executive Succession has been a key area of oversight during 2025 ensuring there are robust plans in place. The Committee received regular updates to assist in its oversight of Executive Director and Critical Director succession and the development of diverse talent pipelines during 2025.
Oversight of the effectiveness of the new Board and Committee Architecture	Following the implementation of the Board and Committee Architecture changes in January 2025, the Committee has monitored the effectiveness through the Board Effectiveness Action Plan together with an internal review after six months. The final steps are an externally facilitated review which will support any further actions for the Board Effectiveness Action Plan in 2026.
Development of its new role in respect of Executive Governance oversight	The Committee received its first report to support its oversight of executive governance in July 2025 and will continue to develop this role into 2026 to ensure appropriate links between Board and executive level governance.

For 2025, the Committee undertook an internal effectiveness review based on a questionnaire approach. The outcomes of the review were considered at its meeting in January 2026. There were no urgent or significant actions, however, the Committee has identified the following areas for focus during 2026:

- Oversight of the next phase of work in relation to Executive Succession.
- Continuing the close monitoring of Board Committee composition, taking into account Board changes in 2026, to ensure that composition remains effective.
- Next steps in relation to the development of Executive Governance oversight.

Corporate governance

The Board Governance and Nominations Committee is responsible for ensuring that the Society operates within a robust corporate governance framework. Throughout 2025 the Committee undertook a range of activities to support this, including:

- Conducted an annual review of the Society's compliance with the Code (as it applies to a building society) to support its approval of the Corporate Governance Report for the Annual Report and Accounts.
- Reviewed and recommended the Corporate Governance Report for inclusion in the Annual Report and Accounts.
- Reviewed and recommended the Board Governance and Nominations Committee's Report for inclusion in the Annual Report and Accounts.
- Monitored any corporate governance developments during the year such as changes to the Building Societies Act which came into force at the start of the year.
- Monitored delivery of the Board Effectiveness Action Plan throughout 2025, ensuring it continued strengthening the Board's governance framework.
- Reviewed the implementation of changes to the Board and Committee Architecture introduced at the start of the year, confirming their effectiveness in enabling the Board to focus on the key strategic issues, with the Committees supporting in their areas of responsibility.
- Following the Board and Committee Architecture review, assumed responsibility for Board level oversight of subsidiary and executive governance, ensuring strong and effective links between the Board, executive governance and the wider Group.

These activities demonstrate the Committee's commitment to maintaining high standards of corporate governance, supporting the Board's ability to deliver on its strategic objectives and ensuring effective oversight across the Society.

Succession planning

The Board is committed to maintaining the right composition now and in the future to provide effective oversight and support the delivery of our strategy and Purpose. The Board Governance and Nominations Committee works to ensure the Board and its Committees have the appropriate composition, diversity and skills mix.

The Committee ensures that effective succession plans are in place to manage Board continuity during periods of transition, especially for key roles. This includes planning for future Non-Executive Director recruitment to meet the Board's ongoing and future skills needs.

The Committee uses a range of information sources to support its succession planning work, including:

- Directors complete a self-evaluation of their skills and experience for the Board Skills Matrix. The Committee uses this information to plan for succession and recruitment, ensuring the Board and its Committees have the necessary skills.
- The Board and Committee Membership and Key Non-Executive Director Roles document lists current Board Committee membership, outlines composition, and identifies any future needs.
- The Board Diversity Statement and Diversity Data demonstrate the Board's commitments to inclusion and diversity.
- The Non-Executive Director Succession Timeline details appointment dates, terms of office and expected retirement dates for Non-Executive Directors, including succession plans for key roles.
- The Contingency Planning Procedure ensures the Committee has plans for unexpected circumstances outside normal succession planning.
- The Chief Officer and Critical Director Succession Plans give the Committee oversight of the senior talent pipeline and helps identify opportunities or risks.

In 2025 the Committee continued to oversee succession planning for Executive and Non-Executive Directors. As two of our Non-Executive Directors, Dina Matta and Guy Bainbridge, left the Board in 2025 there has been a focus on ensuring appropriate succession for their skills and experience. As a result, a recruitment process was completed during 2025 for a new Non-Executive Director and we are now well progressed on a new phase of recruitment, further details of which are set out in the next section.

There has been a particular focus on ensuring that robust succession planning is in place for our Executive Directors, both the Chief Executive and the Chief Financial Officer, taking into account the skills required for our modern Society now and in the future. This has included ensuring we are building a strong and diverse internal talent pipeline as well as maintaining visibility of external talent.



Recruitment of Non-Executive Directors, Executive Directors and key Board roles

The Committee leads the recruitment of new Executive and Non-Executive Directors on behalf of the Board, ensuring robust recruitment and appointment processes are followed. All recruitment is undertaken following consideration of succession plans and the current and future composition requirements of the Board and its Committees.

Non-Executive Directors

In 2025 a recruitment process was completed for a Non-Executive Director, with a focus on key skills in relation to technology, transformation, and cybersecurity. This was to further strengthen the Board's composition in those areas following Dina Matta's departure in October 2025.

To support the process, a person specification was agreed outlining the key requirements for the role. A comprehensive recruitment process was undertaken which included:

- Appointing a recruitment firm to conduct the search.
- Identifying a long and short list of potential candidates.
- Conducting extensive candidate interviews with the Board Chair, members of the Board Governance and Nominations Committee and other Non-Executive Directors.
- Holding meetings with key members of the Executive Team, including the Chief Executive and Chief Operating Officer.

As a result, the Committee recommended the appointment of Elaine Bucknor to the Board as a Non-Executive Director. Ms Bucknor is a highly accomplished senior leader and technology executive who has brought an exceptional blend of technological insight, strategic leadership, and cybersecurity expertise to the Board.

Korn Ferry was appointed to lead the search process. They previously assisted in the recruitment of the Chief Executive in 2022 and provided pro bono support for the recruitment of a Board Fellow in 2024.

In November 2025 the Committee started a new recruitment process to identify one or two Non-Executive Directors to join the Board in the coming months. In order to attract the widest pool of talent, we appointed Nurole, an online recruitment platform, to conduct the searches. Nurole have not previously worked with the Society at an executive level.



Board Fellow

A recruitment process for a Board Fellow was completed in 2024 and our new Fellow joined us and attended their first Board meeting in February 2025. The role has been very successful and not only provided the Fellow with valuable practical experience of how the Board operates but has also brought the contribution of fresh insights to Board discussions.

Executive Directors

There were no recruitment exercises undertaken for Executive Director appointments during 2025.

Details of the induction process for Non-Executive and Executive Directors are set out in the Corporate Governance Report.

Board diversity

We place great importance on having an inclusive and diverse Board and workforce. Our Board has agreed a Diversity Statement to support this ambition, which is reviewed by the Board Governance and Nominations Committee and approved by the Board each year.

A summary of progress against the key aspects of the Diversity Statement is set out below:

Only candidate search and specialist recruitment agencies that have signed up to the Standard Voluntary Code of Conduct for Executive Search Firms will be used for the appointment of Directors, and we prefer to use those signed up to the Enhanced Code.

Korn Ferry was appointed to lead the search process for a Non-Executive Director in 2025. Korn Ferry has signed up to the Voluntary Code of Conduct for Executive Search Firms.

Nurole was appointed to lead a new search process in November 2025. Nurole has signed up to the Voluntary Code of Conduct for Executive Search Firms.

At least 40% of the Board should be women.

The percentage of women on the Board as at 31 December 2025 was 60% and exceeded the target.

Following Guy Bainbridge's departure from the Board on 31 December 2025, the percentage of women on the Board as at 25 February 2026 is 67%.

For prior years see the Board Composition section of the Corporate Governance Report.

At least one of the senior Board positions (Chair, Chief Executive Officer (CEO), Chief Financial Officer (CFO) or Senior Independent Director (SID) should be a woman.

As at 31 December 2025 (and as at 25 February 2026) both the Board Chair and Chief Executive positions were held by women and as such the target was met.

At least one member of the Board should be from an ethnic minority background excluding white ethnic groups (as set out in categories used by the Office for National Statistics).

There was one member of the Board from an ethnic minority background as at 31 December 2025 (and as at 25 February 2026) and, as such, the target is being met.

We will continue to work to further increase Board diversity in order to enhance our effectiveness. We want to embrace the talents of people from all backgrounds including those with differing characteristics, for example those who identify as LGBTQIA+ (Lesbian, Gay, Bisexual, Transgender, Queer (or Questioning), Intersex and Asexual+), those with a disability, be that physical or hidden, and those from lower socio-economic backgrounds.

Our Board places great emphasis on ensuring its membership reflects diversity in its broadest sense. We consider demographics, skills, experience, race, age, gender, disability, educational and professional background, and other relevant personal attributes. An initial assessment of social mobility and our Board's composition aligned broadly with the broader colleague base of our Society. It is also recognised that there are various other aspects of non-visible diversity on our Board.

By maintaining a balance of these factors, the Board can provide the range of perspectives, insights and challenge needed to support good decision making.

The Board Governance and Nominations Committee regularly reviews the composition of the Board to ensure that it has the balance of skills, experience, independence and knowledge through its diverse composition to remain effective.

Diverse talent pipelines

As part of its role, the Committee oversees senior leadership succession plans and the diversity of the talent pool for future vacancies. Strong progress has been made in relation to gender, however, more work is needed in relation to ethnic diversity which will remain a focus going forward.

We have signed the HM Treasury's Women in Finance Charter and are committed to improving gender balance, particularly at senior levels in our organisation. For further information, we had the following percentages of women colleagues at 31 December 2025 (and for comparison 2024):

	31 December 2025 %	31 December 2024 %
Executive Committee	37.5%	28.6%
The Leadership Team immediately below our Board (as set out in the UK Corporate Governance Code)		
Senior Managers	48.1%	47.3%
Our colleagues in roles Grade E and above (excluding G) (in accordance with our commitments under the Women in Finance Charter)		
All Colleagues	59.1%	59.7%

For more details on our colleagues and inclusion and diversity please see the Strategic Report.

Board and Committee Effectiveness Reviews

The Board Governance and Nominations Committee agrees the annual effectiveness review process for the Board and its Committees.

In line with the requirements of the Code, which requires an external review every three years, the Board undertook an external effectiveness review in 2023. This was followed by an internal review process in 2024. Continuing this cycle, it was agreed that an internal effectiveness review would be completed in 2025. An internally facilitated questionnaire has been used to focus on gaining granular feedback on the current state and effectiveness of the Board and its Committees together with areas for improvement.

We have also undertaken an externally facilitated review of Board and Committee Architecture following its implementation during 2025 to ensure there are no further areas of improvement or best practice to be considered. The combination of both reviews will form the basis of our Board Effectiveness Action Plan for 2026.

Further details on the approach to the review can be found in the Corporate Governance Report.

Board Chair

Our Senior Independent Director meets with our Board Chair formally twice a year on behalf of our Board to review the Chair's performance. The review incorporates feedback from key stakeholders including the Executive and Non-Executive Directors.

The annual review for 2025 was completed by Mark Parsons, the Senior Independent Director. The outcomes were reported to the Board meeting in January 2026 without the Board Chair present.

Non-Executive Directors

The Board Chair has meetings with each Non-Executive Director twice a year to review their performance, discuss any areas for development and review ongoing time commitment.

Executive Directors

Executive Director evaluations are carried out by our Chief Executive (or the Board Chair in the case of the Chief Executive) against agreed objectives.

The Board Chair meets with the Non-Executive Directors at least once a year to discuss the performance of management and the Executive Directors.

Annemarie Durbin

Board Governance and Nominations Committee Chair

25 February 2026

BOARD AUDIT COMMITTEE REPORT

A word from the Chair of the Board Audit Committee

I am pleased to present our 2025 Board Audit Committee Report which sets out the Committee's role and its key activities during the year, including its review of financial reporting matters, oversight of the Group's internal controls, and its internal and external auditors.

I joined our Board as a Non-Executive Director on 1 September 2024, when I also joined the Committee. I undertook a tailored induction programme in preparation for my appointment as Chair of the Committee, which formally commenced on 1 September 2025. This followed a structured and formal handover from Guy Bainbridge, who retired from his position as Chair and later stepped down from the Board on 31 December 2025. The handover enabled me to prepare thoroughly for the responsibilities of the role. I want to thank Guy for his valuable contribution to the Committee's work over the last six years, as both a member and Chair.

I am also very grateful to my fellow Committee members for the diligence with which they contribute to the Committee's work, and to management for the time and effort they put in to ensure the Committee remains effective.

During the year we have spent considerable time assessing progress in strengthening the Group's control environment to meet external threats and regulatory requirements, and to protect our members' interests. This included strengthening the regulatory reporting control environment through enhanced frameworks and improved documentation of key judgments and assumptions. We continued to oversee developments in our internal audit function, including progress against its strategic priorities and the results of its quality assurance programme. We have remained focused on the impacts of the economic environment, notably interest rates, inflation, and unemployment, and regulatory and legislative developments upon our current and future business. In 2026, the Committee will continue its work to protect the interests of all of the Group's stakeholders.

Peter Bole

Board Audit Committee Chair

25 February 2026

Board Audit Committee members and meetings

The members of the Board Audit Committee are:



Peter Bole
Committee Chair and Independent Non-Executive Director



Angela Darlington
Independent Non-Executive Director
Vice Chair from 1 January 2026



Mark Parsons
Senior Independent Director

Guy Bainbridge (former Vice Chair and Committee Chair) was a member of the Committee to 31 December 2025 when he stepped down from the Board.

Our Board appoints members to the Committee and takes into account the requirements of the UK Corporate Governance Code ('the Code'), as far as they apply to building societies, when considering who should be a member. In line with the Code, all members have to be independent Non-Executive Directors, at least one member must have 'recent and relevant financial experience' and the Committee as a whole should have experience in the financial services sector.

You can find out more about the Code, and how it applies to building societies, in the Corporate Governance Report.

In 2025, all the members of the Committee were independent Non-Executive Directors, and all have recent and relevant financial experience gained through the qualifications they hold and the roles they have held or currently hold with other organisations.

The Committee benefits from a diverse range of expertise in the areas of finance, risk and transformation with particular emphasis on the financial services sector. Altogether, this ensures that the Committee has the required competence in the financial services sector.

You can find out more about the skills, qualifications and experience of the Committee members in the directors' biographies in the Our Board and Executive Team section.

Only members of the Committee are entitled to attend its meetings, although others may be asked to attend all or part of a meeting. Our Chair of the Board, Chief Executive, Chief Financial Officer, Chief Internal Audit Officer and the external auditor were invited to attend all meetings in 2025, along with other members of our Leadership Team and Senior Managers where the Committee felt it was beneficial.

The Committee held six scheduled meetings in 2025 and one ad-hoc meeting, with the Board Risk Committee, to consider the Society's implementation plans for Provision 29 of the Code. Three of those meetings began with a private session between the invited members of the Leadership Team and the Committee members and finished with a private session between the Committee members and our Chief Internal Audit Officer and external auditor. These private sessions allow the Committee to discuss confidential matters, which may not be appropriate to discuss with all Committee attendees present. The Committee also has private sessions each year with the Chief Financial Officer. Meetings are regularly scheduled outside the Committee with the Chair and management and the internal and external auditors to maintain a constructive dialogue. We also used the Written Resolution process twice where matters required review and approval outside of the planned meeting schedule.

Details on the number of scheduled meetings attended by each of the Committee members during 2025 are shown in the Corporate Governance Report.

Board Audit Committee responsibilities

The responsibilities of the Committee include:

- Overseeing the integrity of financial reporting.
- Monitoring the adequacy and effectiveness of the Society's internal financial controls, systems and risk management.
- Monitoring and overseeing the internal audit function and performance of the external auditor.
- Monitoring the Society's approach to the introduction of Provision 29 of the Code and the implementation of defined material controls.
- Reviewing and recommending to the Board for approval, the Group's annual Sustainability disclosures.
- Reporting to the Board on matters within its remit and making recommendations where required.

Further detail on the role and responsibilities of the Committee can be found in the Terms of Reference which can be found on our website⁴⁰.

The Committee's Terms of Reference are reviewed annually to ensure they remain aligned with regulatory requirements and good practice, alongside ensuring the Committee is fulfilling its responsibilities. To incorporate any changes arising from the Board and Committee Effectiveness Reviews, details of which are outlined in the Board Governance and Nominations Committee Report, the approval of the latest Terms of Reference reviews will take place in Quarter 1 of 2026. This timing aligns with the implementation of the current Terms of Reference in January 2025. Throughout 2025, the Committee fulfilled the requirements of its Terms of Reference, with particular emphasis on the areas that are covered in more detail in this report.

The Committee is committed to ongoing development and learning and Committee members also take part in training and receive briefings on areas that concern not only their roles on the Committee, but also their roles on the Board. During 2025 the Committee were provided with additional training on hedge accounting, along with other Board members, and an insight session with the external auditor on Provision 29 of the Code.

Our Chair of the Board oversees the training and development of the full Board and you can find more information on this in the Composition, Succession and Evaluation section of the Corporate Governance Report.

Board Audit Committee effectiveness review

The effectiveness of the Committee is assessed annually. The Committee has throughout 2025 continued to progress the actions agreed as part of the 2024 process. For 2025 the Board Committee evaluations were incorporated into the Board internal evaluation process. A self-assessment exercise was performed, co-ordinated by Group Secretariat, and a summary of the results was reported to the Committee and discussed in January 2026. The 2025 review concluded that the Committee operated effectively during the year and that there were no significant areas for improvement or significant actions arising for the Committee.

Further details on the evaluation process for 2025 can be found in both the Board Governance and Nominations Committee Report and the Corporate Governance Report.

Corporate Governance

The Committee considered in more detail the Financial Reporting Council's (FRC) 'Audit Committees and the External Audit: Minimum Standard' ('the Standard'), published in 2023, which sets the minimum standards for audit committees in relation to their oversight responsibilities for the external audit and includes guidance on assessing the effectiveness of the audit process alongside covering the audit committee's responsibilities for the external audit, the external audit tender, oversight of the external auditor and audit and finally the reporting of activities undertaken to meet the Standard's requirements. Whilst the Standard applies to FTSE350 companies and is voluntary, the Standard is seen as good governance. The Committee reviewed a comprehensive assessment of the Society's approach to the Standard and while the Society demonstrated strong alignment with many aspects of the Standard, the review identified some areas where current practices would benefit from further formalisation or enhancement. The areas identified did not indicate non-compliance with the Standard, rather areas where enhancements would support stronger alignment and demonstrate best practice in audit oversight. The Committee will continue to focus on these enhancements in 2026 developing further its External Audit Tender Policy.

The Committee has monitored the Society's approach to the introduction of Provision 29 of the Corporate Governance Code 2024 and the implementation of defined material controls. The Committee will continue to work with key stakeholders to monitor the operation of material controls and ensure ongoing compliance, following provision 29 becoming effective on 1 January 2026.

Key financial reporting matters

Providing our stakeholders with complete, accurate and relevant financial information is critical to ensuring that the Society maintains their trust. The Committee is responsible for ensuring that the key accounting policies, estimates and judgements used in our financial statements are appropriate. To help the Committee achieve this, it receives reports from management and our external auditor, PwC.



⁴⁰ <https://www.ybs.co.uk/your-society/inside-your-society/corporate-governance/committees#audit>

Significant financial reporting matters considered by the Board Audit Committee since the last Annual Report and Accounts

Matters considered	Key activities 2025
Expected credit losses	<p>The Committee continued to provide robust oversight of the Group's approach to credit risk management and the calculation of Expected Credit Losses (ECL). The estimation of provisions for mortgage loan portfolios remains inherently judgemental, requiring the use of historical data alongside forward-looking assumptions about macroeconomic conditions and customer behaviour.</p> <p>Throughout 2025, the Committee closely scrutinised management's selection of economic assumptions and the weighting of macroeconomic scenarios used in the ECL models. These assumptions have a material impact on impairment outcomes, and the Committee sought assurance that they appropriately reflect the evolving economic landscape.</p> <p>The UK macroeconomic environment showed signs of stabilisation during the year. The labour market loosened modestly, with rising unemployment, slowing wage growth, and reduced vacancy levels alongside inflation peaking at 3.8% in the second half of the year. However, real earnings growth helped ease affordability pressures for borrowers.</p> <p>The Bank Rate was reduced gradually over the course of the year, with further cuts expected to continue. Interest rate expectations remained volatile, as the Monetary Policy Committee (MPC) continued to balance slow economic growth and a softening labour market against persistent inflationary pressures.</p> <p>The housing market demonstrated resilience, particularly in response to changes in stamp duty. Mortgage approvals recovered well, with activity levels ahead of 2024. However, house price growth moderated, and an emerging imbalance between supply and demand was evident, driven by an increase in sellers of buy-to-let and second homes.</p> <p>The Committee reviewed and agreed the assumptions applied across base case, upside, downside, and severe stress scenarios. It concurred with management that the range and weighting of scenarios were appropriate given the current macroeconomic outlook. Post Model Adjustments (PMAs) continue to be applied where risks are identified that are not adequately captured by the core ECL models. These adjustments are reviewed regularly to ensure they remain relevant and reflect emerging risks.</p> <p>The Society previously applied a PMA to address under-prediction in the probability-of-default element of the ECL calculation. Following a 2025 model review and update, this adjustment is no longer required and has therefore been removed.</p> <p>Given the ongoing uncertainty, PMAs remain a critical component of the Society's approach to ECL estimation. Their judgemental nature requires robust governance, clear documentation, and a transparent process to ensure consistency and reliability.</p>
Hedge accounting	<p>During 2025, the Committee continued to review the methodology and key assumptions applied to the Group's hedge accounting models. As part of its oversight responsibilities, the Committee undertook targeted training on hedge accounting to deepen its understanding of the technical requirements and evolving regulatory landscape. This training supported more informed discussions and challenge of management's approach.</p> <p>The Committee considered the development of new hedge strategies introduced during the year and assessed their alignment with the Group's risk management objectives. While not all unmatched interest rate swaps are currently designated within formal hedge relationships, the Committee noted that investigations remain ongoing into how these instruments can be more effectively incorporated. The aim is to further mitigate fair value volatility and enhance the alignment between accounting outcomes and economic risk management.</p> <p>Following its review, the Committee is satisfied that the amounts recognised in the financial statements are appropriately stated and reflect a prudent and consistent application of hedge accounting principles.</p>

Matters considered	Key activities 2025
Retirement benefit obligations	The Group operates one employee benefit scheme (the Scheme) with both defined benefit and defined contribution sections. The defined benefit scheme is accounted for by the Group under IAS 19, with the key assumptions presented to, and approved by, the Committee. During the period the Committee reviewed the assumptions proposed by management and the scheme administrators (Willis Towers Watson), including how they benchmark against the rest of the industry.
Effective interest rate ('EIR')	The Committee considered the results of management's detailed reviews of the methods and assumptions used in the calculation of interest income under the Effective Interest Rate (EIR) methodology, as required under IFRS, and concluded that the amounts recognised were fairly stated.
Acquisition fair value adjustment run-off	The Committee reviewed the run-off profile of the fair value adjustments made on the acquisition of the Chelsea, Norwich & Peterborough and Egg portfolios and approved changes where the actual run-off experience is either quicker or slower than that anticipated on initial recognition. The Committee is comfortable that the carrying amounts reflect the remaining expected life of the acquired loans balances.
Tax	Papers setting out the judgements applied in the recognition of deferred tax balances and the level of transfer pricing adjustments applied between Group entities were presented to the Committee over the period. The Committee is satisfied that the recognised amounts of deferred tax are reasonable given the substantive enactment of scheduled changes in UK corporation tax rates and the transfer pricing assumptions are reasonable.
Provisions for liabilities and charges	The Committee reviewed and considered the provisions and disclosures for liabilities and charges, being those relating to restructuring, customer redress and property related costs, and agreed with the overall amount held.
Viability and going concern	<p>The Committee reviewed papers prepared by management and recommended to the Board that the financial statements should be prepared on a going concern basis i.e. 12 months from the date of approval of this report. The Committee confirmed that three years was a suitable period of review for the viability statement, and that the viability statement could be provided. Whilst there is no guarantee, there is a reasonable expectation that the Society will be able to continue to be viable, i.e. operate and meet its liabilities as they become due, until 31 December 2028.</p> <p>More information can be found in our Directors' Report.</p>
Disclosures	<p>The Committee reviewed papers prepared by management and agreed that the disclosures included within this Annual Report and Accounts met all statutory requirements under the Building Societies Act 1986, the disclosure and transparency rules of the FCA and applicable international financial reporting standards.</p> <p>The Committee confirmed that disclosures in the Half-Yearly Financial Report met the requirements of the disclosure and transparency rules of the FCA and international financial reporting standards.</p> <p>The Committee also reviewed the Group's regulatory Pillar 3 quarterly disclosures included in full on the Society's website. The Committee approved the quarter one, two and three Pillar 3 disclosures for publication and recommended the quarter four disclosures to the Board for its approval.</p>

To enable the Board to approve the Letter of Representation to the external auditor at both year end and half year, the Board Audit Committee reviewed the specific representations and the basis on which members of the Leadership team have evidenced them.

Other significant reporting matters considered by the Board Audit Committee since the last Annual Report and Accounts

In 2025, the Committee approved the 2024 Environmental, Social and Governance Report (the ESG Report) following a review that began in late 2024. The review considered the report's objectives, structure, key messages, and the governance and publication timeline. The Committee assessed the controls and processes in place to ensure the accuracy and credibility of the data and narrative, alongside key areas of focus including ESG governance, strategic alignment, data validation, future assurance, and the clarity of definitions and measures to support transparency and regulatory compliance. To strengthen governance, the Committee, and subsequently the Board Governance and Nominations Committee (BGNC), considered the governance process for future ESG Reports. From 2025, the Board Environmental and Social Purpose Committee and BGNC will review and recommend their respective sections of the Sustainability Report (formerly ESG Report) to the Committee, which in turn will recommend the Sustainability Report to the Board for approval.

Oversight of the external auditor and external audit process

The Committee oversees the audit process and the relationship with our external auditor. The Committee begins each annual audit cycle by reviewing and approving the proposed audit plan presented by our external auditor, PwC. This process includes a discussion between the Committee and our external auditor around key risk areas to ensure that there is agreement on the focus of the external auditor's work and their assessment of materiality for the financial statements. The Committee's discussion of the external auditor's risk assessment was informed this year by the economic factors affecting ECLs, hedging strategies and operational risks.

For further information about materiality and how it is calculated, please refer to the Independent Auditors' Report.

The Committee has considered PwC's risk assessments, planned work, resources and audit fees throughout the year and monitored the progress of PwC's audit work through discussions with PwC and management. The external auditor provides regular updates to the Committee on their work on the Half-Yearly Financial Report and the Annual Report and Accounts before the Committee approves them.

Throughout the year, the Committee assesses the effectiveness of the external audit process, an assessment which is based on guidance from the Financial Reporting Council (FRC). The assessment included a survey following the completion of the 2024 audit to members of the Committee, and Senior Managers in the Society's Finance division. Feedback from key internal stakeholders was also gathered to assess the auditor's performance, and a meeting was held with senior audit team members to discuss this feedback, share conclusions from reviews, and gather perspectives on the effectiveness of the external audit process and how the Society could further contribute to this. These conclusions were then shared with the Committee to support its assessment of the quality and performance of the external audit team and process.

In line with the FRC's 'Audit Committees and the External Audit: Minimum Standard' (the Standard), the Committee considered Audit Quality Indicators (AQIs) proposed by the external auditor to support a structured and evidence-based assessment of audit effectiveness. These AQIs will be adopted from the 2025 year-end audit. The Committee also reviewed the external auditor's internal quality procedures, including their response to the FRC's Audit Quality Inspection and Supervision reports, and reviewed the auditor's system of quality management under ISQM (UK) 1. The Committee concluded that the external auditor was performing its duties in an effective manner in 2024 and believe it remains so through the 2025 audit.

External auditor independence

The Board Audit Committee monitors and annually assesses the external auditor's independence and objectivity, taking into account relevant laws, professional and regulatory requirements and the relationship with the external auditor as a whole. To fulfil the responsibilities set out in its Terms of Reference, the Committee considers, as described below, the external auditor's non-audit work, the fees paid in respect of such non-audit work, the employment of former employees of the external auditor, and the external auditor's tenure.

The Group has a policy on the use of the external auditor for non-audit work, and the application of this policy is overseen by the Committee. The policy is designed to ensure the external auditor's continued independence and objectivity.

Fees for individual assignments that exceed a set threshold are reviewed by the Committee. Fees for those assignments under the threshold are approved by the Chief Financial Officer under delegated authority. All non-audit services are approved in advance of the work commencing. Our external auditor's fee is reviewed regularly. The Committee is satisfied that the Group has operated in line with the policy during 2025.

The total amount of fees paid to our external auditor for both audit and non-audit work is disclosed in note 6 to the financial statements.

The Group also has a policy on the employment of employees of the Group's external auditor, and the Committee monitors the implementation of this policy annually. In summary, this restricts the Society from offering employment to named individuals from the external audit firm for key management positions within a two-year period from working on the Group statutory audit and ensures any such offers of employment are vetted by the Committee to ensure ongoing independence of the external auditor. The Committee also reviewed the independence position of relevant senior members of the Finance Division, and it remains satisfied there are no conflicts or independence issues.

In line with the Standard, the Committee continued to strengthen its oversight of auditor independence by reviewing the external auditor's internal quality procedures, including their response to the FRC's Audit Quality Inspection and Supervision reports, and by considering the auditor's system of quality management under ISQM (UK) 1. The Committee also receives regular updates from the external auditor on their independence and objectivity, and formally considers independence twice a year as part of its audit planning and effectiveness review cycle.

The Committee takes into account the performance of the external auditor when considering their reappointment as well as their length of tenure and the date of rotation of the audit partner. PwC were appointed as external auditor following a competitive tender process in 2018 and their appointment was approved by members at the 2019 AGM. PwC were reappointed as the Society's external auditor at the 2025 AGM and the Committee remains satisfied with the performance of PwC during 2025 and the Committee has therefore recommended to the Board that they be approved for reappointment as external auditor at the 2026 AGM.

Review of internal controls

Our Board recognises the importance of effective risk management and strong internal controls. These help us to achieve our Purpose of providing Real Help with Real Life by protecting our customers' and other stakeholders' interests and looking after our Group's assets. Well-designed controls also enable us to become more efficient and effective at what we do, produce reliable information and reports, and comply with laws and regulations.

The risks that the Society faces evolve over time, so the Committee regularly considers the risks we face, how our Group's internal controls are working and whether our Group needs to strengthen what it does to manage the nature and extent of those risks. Our Board develops our policies on risk and control, but all of our Society's colleagues have a responsibility to carry out those policies as part of helping our organisation achieve its objectives. So that they can do that, our Leadership Team provides training and coaching, and then monitors how colleagues are managing risks.

To support the Committee's review of internal controls, our Internal Audit function provides reports to every meeting and our external auditor provide their own independent opinions to us. The Committee also receives reports on significant control weaknesses from the Leadership Team. The Committee works closely with the Board Risk Committee to make sure that the risk management framework is operating effectively across our business.

You can find further details of risk management practices in the Risk Management Report.

The main types of information the Board Audit Committee considered during 2025 were

- Internal Audit reports: The Committee reviewed and approved the Internal Audit assurance plan for the year, the proposed revisions to the plan, and the resources needed to support it. In doing this the Committee considered the ongoing appropriateness of Internal Audit's coverage of the Group's risks, processes, systems and controls and the balance of assurance between the Group's transformation programme and business-as-usual activities. The Committee also considered reports on the plan's progress, including Internal Audit's findings, their root causes and the Leadership Team's responses. Where Internal Audit reports are rated as 'Unsatisfactory', the accountable members of the Leadership Team are asked to attend the Committee and explain why the identified control weaknesses have arisen and what actions are being taken to address them. In 2025, Internal Audit drew the Committee's attention to a range of areas that required significant improvement, in particular, the control framework and governance over the group's change programme.
- Updates on risk management culture: During the year, the Committee discussed the Society's risk culture and continued their ongoing monitoring of progress made by management in improving end-to-end process and controls documentation.
- External auditor reports: The Committee reviewed reports from our external auditors, PwC, about recommendations in relation to internal controls for key financial reporting processes and systems.
- Report on the adequacy of internal controls in 2025: The Committee received a report from all three lines of defence within the Society, concerning the effectiveness of internal controls, including focus on areas not yet at target levels of maturity. The Committee's attention was drawn to the need to increase the maturity of the control framework covering Change Risk, Information Management, Compliance & Conduct Risk, Financial Crime & Fraud and Model Risk, and the work being done to embed a robust control environment for the increasing use of Artificial Intelligence tools.

Governance > **Board Audit Committee Report**

Findings that were raised were prioritised by management according to impact and areas for improvement are being addressed. The Committee considered regular updates on the status of control issues identified by both Internal Audit and PwC, and the volume and age profile of those issues remained within tolerable limits. Because our total assets exceed £50bn, our external auditor provides the PRA with a Written Auditor Report on selected aspects of their audit. This was also considered by the Committee during the year.

The Committee considered whether any recommendation should be made to the Board Remuneration Committee for a possible adjustment to the variable remuneration of the Leadership Team, in respect of internal control weaknesses.

Taken together, the information the Committee reviewed provided assurance that, whilst control improvement work is ongoing, the Group maintained an adequate internal control framework in 2025 and there were no significant breaches of control or regulatory standards. This supports our aim of complying with the principles and provisions of the Code where they apply to building societies. The Leadership Team proactively took action to tackle identified control weaknesses, thereby improving the strength of the internal control environment, so that our Group remains financially and operationally resilient.

Oversight of the Internal Audit function

The purpose of Internal Audit is to provide an independent and objective opinion to the Board on the adequacy and functioning of the Society's system of internal control. This is primarily achieved by performing risk-based reviews, following an established audit methodology. Internal Audit's focus includes assessing risk management and governance processes to ensure:

- Significant risk exposures are appropriately identified, reported to the Board and the Society's Senior Leadership Team, and effectively controlled.
- Significant financial, management, and operating information is accurate, reliable and delivered in a timely manner.
- The Society's actions comply with policies, standards, procedures, and applicable laws and regulations.

Our Internal Audit function is governed by a charter, which the Board Audit Committee reviews and approves annually. The Committee reapproved the charter in November 2025 and you can find a copy of it on our website ybs.co.uk/your-society/inside-your-society/corporate-governance/committees.

The Chief Internal Audit Officer reports directly to the Board Audit Committee Chair and Internal Audit has full and unrestricted access to all of our Group's functions, systems, records and colleagues. The Board Audit Committee Chair meets regularly with the Chief Internal Audit Officer to review the performance of the Internal Audit function and discuss any matters emerging from Internal Audit activities. During 2025, the Board Audit Committee Chair also provided input to the Chief Internal Audit Officer's performance objectives, annual performance appraisal and remuneration.

In addition to receiving reports on the outcomes of Internal Audit activities, as described above, the Committee receives regular reports on the performance of Internal Audit against an agreed set of performance measures. Internal Audit also reports to the Committee annually on the strategy for the function, the expertise, skills and resources it has, and what it needs to effectively discharge its role. The Committee reviews and approves any proposed changes to Internal Audit's strategy and resources. During 2025, this has included consideration of the resources the Internal Audit function may need over the year ahead, and the technology and systems that Internal Audit uses.

Internal Audit continues to operate its own quality assurance and improvement programme. In 2023, an external quality assessment of the function was performed, which benchmarked Internal Audit against relevant professional standards and codes and industry best practice. The assessment was performed by an independent third-party. The recommendations put forward by the third-party to enhance the function's approach, effectiveness, quality, skills and experience were implemented in 2024.

Overall, the Committee remains satisfied that the Internal Audit function is effective and has the appropriate resources, including use of external third-party support where necessary, to fulfil its responsibilities. The Committee will continue to oversee Internal Audit's development, including the monitoring of action plans resulting from external and internal assessments, to make sure the function remains equipped for the role it plays in helping our Society achieve its Purpose.

Peter Bole
Board Audit Committee Chair

25 February 2026

RISK MANAGEMENT REPORT

A word from the Chair of the Board Risk Committee

I am pleased to present our 2025 Risk Management Report, which sets out the role of the Board Risk Committee (BRC) and gives an overview of its activity during the year.

Our attention during 2025 has focused on the principal risks which affect the Society and ensuring that there is appropriate risk oversight on the strategic direction of the Society.

A key development during the year has been that in addition to the formal meetings of the Committee, each quarter the BRC reconvenes during the wider Board meeting, so oversight of key risk items can be considered by the full Board. All Board members attend Reconvened BRC meetings and availability and attendance at such meetings is available in the Corporate Governance Report. Key Risk items include assessing the Society's Risk Appetite metrics, ICAAP and ILAAP.

As Chair of the BRC, I am satisfied the Society has a clear risk appetite, aligned to its strategy, to ensure it contains the impact of those risks it has chosen to take; has appropriate controls in place to identify both the risk of material deviation from the risk appetite and any unplanned risks the Society encounters; and appropriately balances the risks it takes between delivering against our Purpose for current and future members and customers, and protecting the resilience and sustainability of the Society.

As we look ahead to 2026, my BRC colleagues and I will continue to expect a risk management approach that is robust, prudent and member-focused so that I can continue to report my satisfaction with the Society's risk positions.

Angela Darlington
Board Risk Committee Chair

25 February 2026

Board Risk Committee members and meetings

The current membership of BRC comprises:



Angela Darlington
Board Risk Committee Chair
Vice Chair
from 1 January 2026



Mark Parsons
Senior Independent Non-Executive Director



Debra Davies
Independent Non-Executive Director



Elaine Bucknor
Independent Non-Executive Director



Peter Bole
Independent Non-Executive Director

Guy Bainbridge (former Vice Chair and Independent Non-Executive Director) was a member of the Committee to 31 December 2025 when he stepped down from the Board.

Governance > **Board Risk Management Report**

During the year, we have welcomed Elaine Bucknor and Peter Bole as new Committee Members and are already benefitting from their contributions and vast experience.

Our Board appoints members to the Committee and all members are independent Non-Executive Directors. You can find out more about the skills, qualifications and experience of Board Risk Committee Members in the Our Board and Executive Team section.

Only members of the Board Risk Committee are entitled to attend its usual meetings, although others may be asked to attend all or part of a meeting. The Committee meetings are attended by the Board Chair and members of the Executive team including the Chief Executive, Chief Financial Officer, Chief Risk Officer and Chief Internal Audit Officer. Our External Audit Partner is invited to attend every meeting.

The Committee held four scheduled meetings during 2025 and held three ad-hoc meetings. The three ad-hoc meetings were scheduled to consider:

- Reviewing proposed Credit Risk Appetite metric changes for High Loan-to-Income lending.
- The Society's Consumer Duty Annual Report.
- Monitoring the Society's approach (together with the Board Audit Committee) to the introduction of Provision 29 of the Corporate Governance Code 2024, which requires firms to provide a more detailed disclosure of the effectiveness of risk management and internal control frameworks in their Annual Reports.

Meetings are regularly scheduled outside of formal Committee meetings with the Chair and the Chief Risk Officer as necessary.

The Written Resolution process was used twice where matters required review and approval outside of the planned meeting schedule and did not warrant an ad-hoc meeting.

Details on the number of scheduled meetings attended by each of the Committee members during 2025 are shown in the Corporate Governance Report.

Board Risk Committee responsibilities

The responsibilities of the Board Risk Committee include:

- Receiving the Chief Risk Officer's quarterly reports, encompassing performance against the risk appetite exposure limits for 2025, his view of the Society's principle risks and other key areas.
- Approval of the Society's Enterprise Risk Management Framework.
- Reviewing and recommending Board approval for Risk Appetite Exposure limits for 2026.*

- Monitoring the progress of the Governance, Risk and Control Programme.
- Reviewing risks and issues related to the Society's One Plan.
- Reviewing the second line of defence oversight plan.
- Reviewing and recommending the approval of the Society's ILAAP and ICAAP, including appropriate stress testing scenarios.*
- Monitoring the Society's Compliance with the Resolvability Assessment Framework.
- Reviewing and recommending the Board approve the Society's annual Operational Resilience Self-Assessment, Important Business Services and Impact Tolerances.
- Reviewing and monitoring the progress against the priorities identified by the Society's Money Laundering Reporting Officer (MLRO).

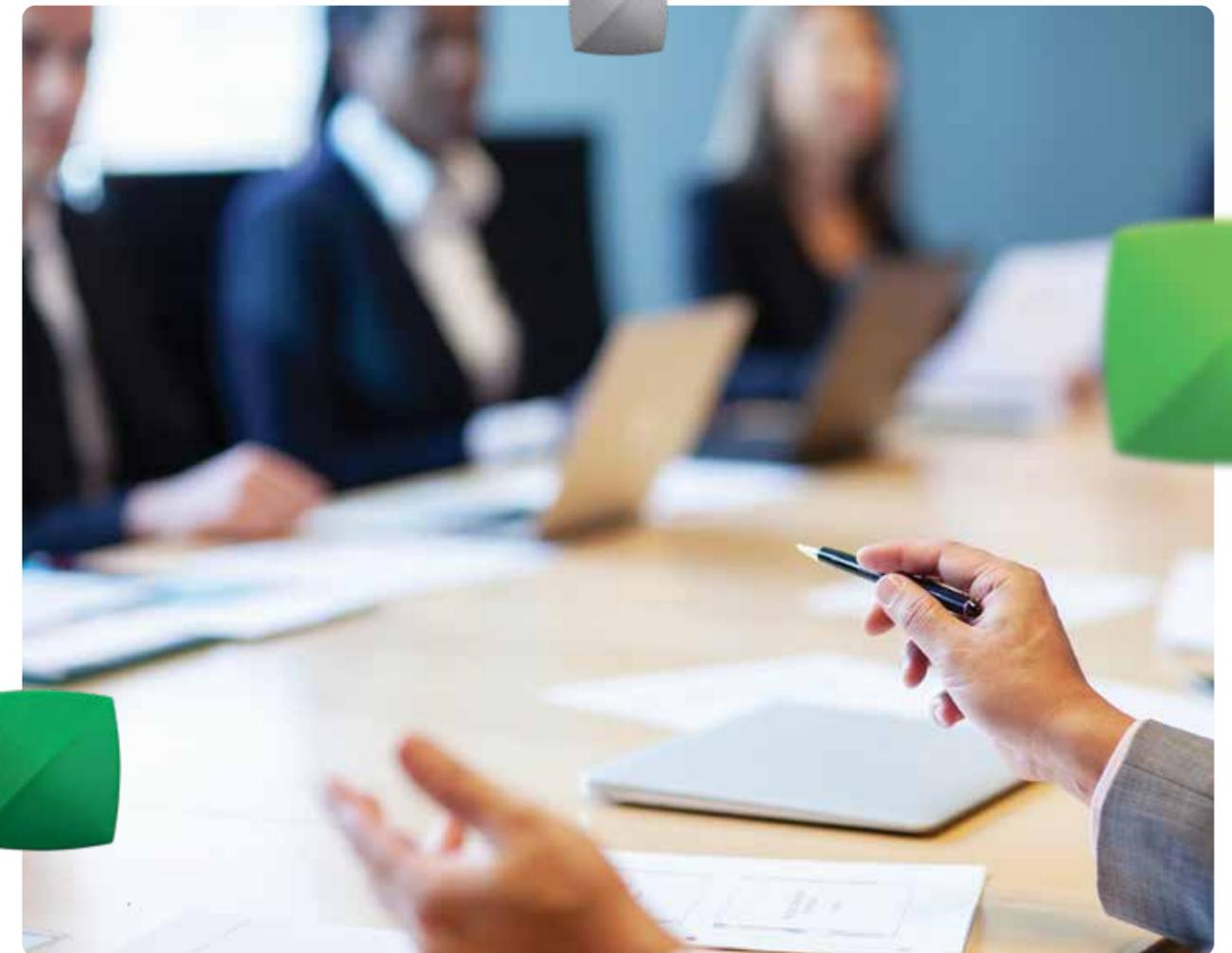
*denotes items considered by the wider Board at the Reconvened BRC.

Further detail on the role and responsibilities of the Committee can be found in the Terms of Reference, which are available on our website⁴¹.

The Committee's Terms of Reference are reviewed annually to ensure that they remain aligned with regulatory requirements and good practice, alongside ensuring the Committee is fulfilling its responsibilities. To incorporate any changes arising from the Board and Committee Effectiveness Reviews, details of which are outlined in the Board Governance and Nominations Committee Report, the approval of the latest Terms of Reference reviews will take place in Quarter 1 of 2026. This timing aligns with the implementation of the current Terms of Reference in January 2025. Throughout 2025, the Committee fulfilled the requirements of its Terms of Reference, with particular emphasis on the areas that are covered in more detail in this report.

The Committee is committed to ongoing learning and development and Committee members also take part in training and receive briefings on areas that concern not only their roles on the Committee, but also their roles on the Board. During 2025, the Committee was provided with additional training on Structural Hedging, as well as multiple workshops on the Society's ICAAP, ILAAP and Recovery Plan.

Our Chair of the Board oversees the training and development of the full Board and you can find more information on this in the Composition, Succession and Evaluation section of the Corporate Governance Report.



Board and Committee Effectiveness Review

The effectiveness of the BRC is assessed annually in accordance with its Terms of Reference. The Committee progressed the actions identified as part of the 2024 process throughout the year. For 2025, the Board Committee evaluations were incorporated into the Board internal evaluation process. A self-assessment exercise was performed, co-ordinated by Group Secretariat, and a summary of the results were reported to the Committee and discussed in January 2026. The 2025 review concluded that the Committee operated effectively during the year and that there were no significant areas for improvement or significant actions arising for the Committee.

Further details on the evaluation process for 2025 can be found in both the Board Governance and Nominations Report and the Corporate Governance Report.

Corporate governance

The Committee continues to work closely with the Board Audit Committee and other stakeholders to monitor the Society's approach to the introduction of additional requirements of Provision 29 of the Corporate Governance Code 2024 and the implementation of defined material controls, ahead of the provision becoming effective on 1 January 2026.

The BRC will continue in 2026 to provide balanced oversight of the Society's risks and ensuring that the Committee's governance, risk and control capabilities can support the Society's strategy.

⁴¹ <https://www.ybs.co.uk/your-society/inside-your-society/corporate-governance/committees#group-risk>

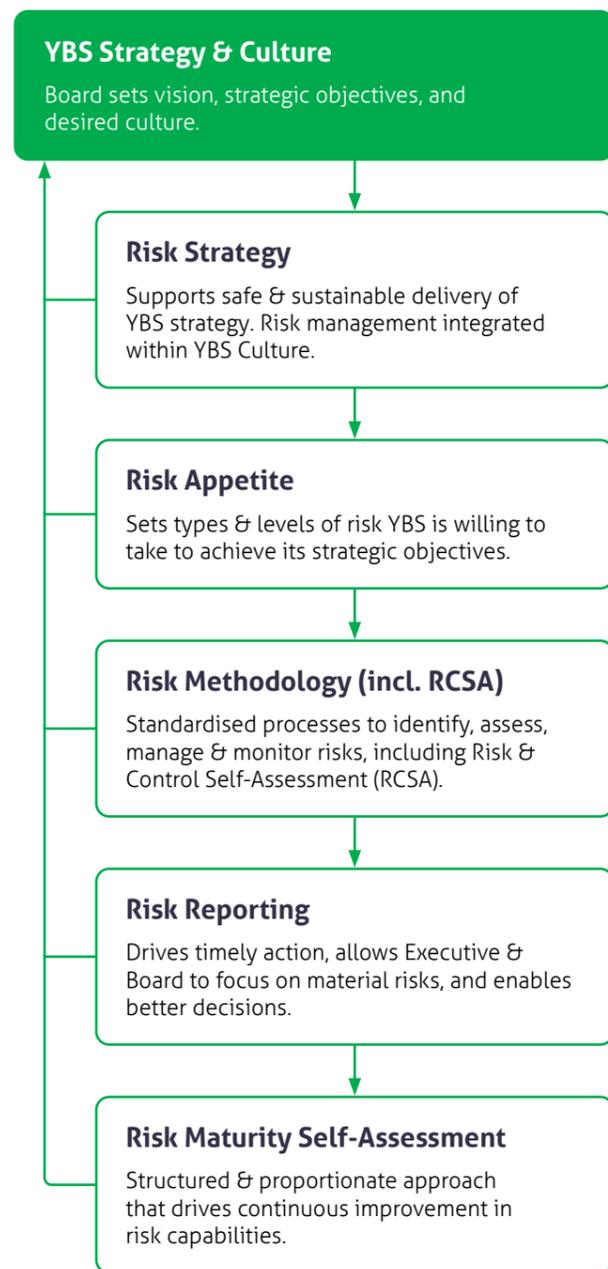
Our Enterprise Risk Management Framework (ERMF)

Our ERMF enables robust yet efficient risk management, which has an important and integral role in protecting the Society against unplanned financial outcomes, providing members with good outcomes and demonstrating credibility to external stakeholders.

The ERMF supports a consistent approach to managing risk across the Society and helps ensure that everyone understands their role. A robust and embedded framework enhances decision making and leads to improved business performance. It provides an overview of how risk is to be managed and signposts where to find more detail in the underlying sub-frameworks and processes.

It comprises:

Key Enterprise Risk Process Flow



Key Enablers & Governance

Risk Categorisation Model

A comprehensive, efficient and effective categorisation model, which clearly captures our principal risks is a key foundation for how we organise and embed many elements of risk activity.

Risk Governance

An efficient risk committee structure with clear accountabilities and alignment to our risk categorisation model drives effective decision-making and appropriate focus on our material risks.

Risk Policy Framework

Ensures we have appropriate policies for each risk that set minimum standards and key controls, for managing risks within both risk appetite and regulatory requirements.

Compliance Framework

A robust compliance framework ensures colleagues are clear who is accountable for identifying, implementing, advising and providing oversight of regulatory compliance.

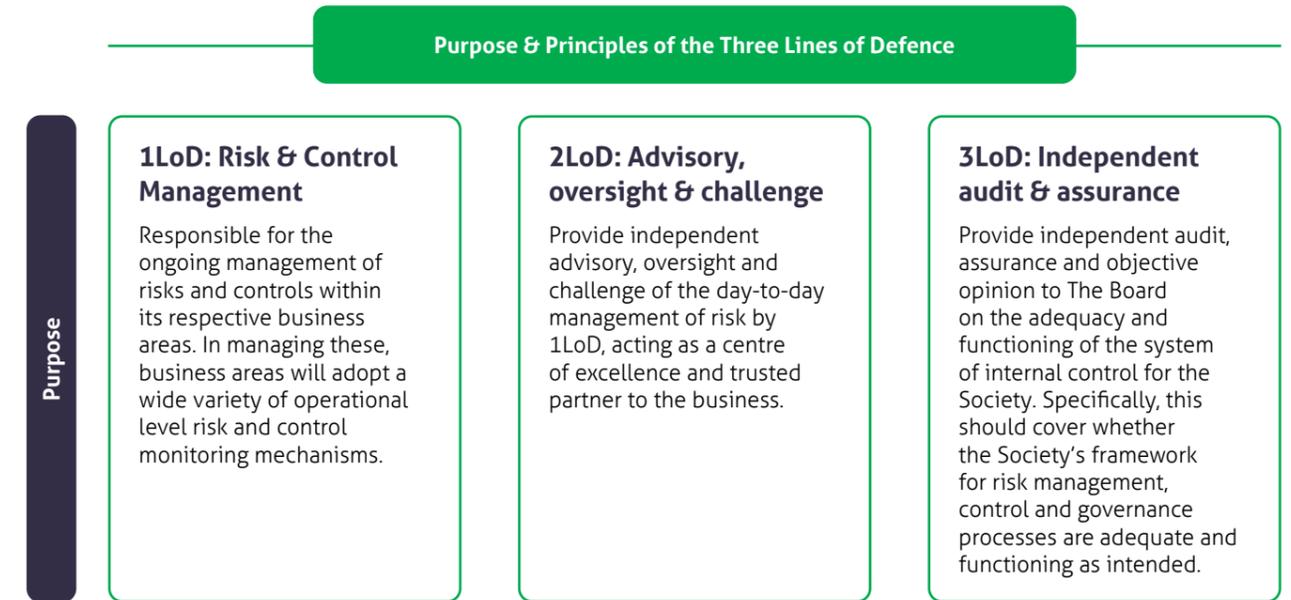
Three Lines of Defence Framework and Oversight Methodology

Clearly delineated accountabilities for day-to-day risk management, oversight and assurance enable efficient organisational design and effective risk management.

Our new risk platform was launched in 2025 and has been used to progressively consolidate our core enterprise risk processes and data onto a single industry standard platform. This drives consistent and effective risk management and enhanced analysis and reporting capabilities.

Three lines of defence

To support the operating model and facilitate the ERMF, the Society operates a three line of defence model. Each line is independent from the others via reporting lines and activities that create clear separation. The role of each line is summarised below.



First Line (1LoD)

The First Line of Defence (1LoD) owns and manages risks relevant to each business area, designs and operates key controls, and reports on the effectiveness of these controls to senior management and the Executive Team. They ensure that the business continues to operate on a day-to-day basis and are the closest to our people, processes, and systems and therefore, are best placed to understand and manage the Society's risks.

To support effective risk management, the 1LoD may embed specific risk experts or assurance teams within business functions to support Risk Category Owners in managing their risks in line with the ERMF. These embedded teams assist with activities such as risk identification, control design and testing, root cause analysis, and risk event logging. While these colleagues may hold 'risk' or 'control' roles, they remain an integral part of the 1LoD, supporting the business with routine risk management activities.

Second line (2LoD)

The Second Line of Defence (2LoD) consists of the Society's Risk function, reporting to the Chief Risk Officer (CRO). The 2LoD sets the Society's ERMF, establishing the standards, tools, and processes for managing risk effectively. The Enterprise Risk team, within 2LoD, is responsible for developing, maintaining, and embedding the ERMF on behalf of the CRO and the Board.

2LoD also provides, insight, challenge, oversight, and opinion on all aspects of risk management and compliance, taking a risk-based approach. 2LoD provides oversight on all aspects of risk management and compliance with regulatory requirements and internal documents such as risk appetite, policies, and the ERMF. Oversight and compliance activities are integrated and applied through a risk-based approach that is efficient, proportionate and value adding to the business. The 2LoD may also leverage their risk expertise to provide insightful risk analytics to support the 1LoD.

The 2LoD operates with clear independence from 1LoD daily activities, with its mandate supported by both the Board and CEO through:

- The CRO has a direct reporting line to the CEO and an additional independent reporting line to the Board Risk Committee (BRC) Chair.
- The BRC ensures the Risk Function has adequate resources, unrestricted access to necessary information, and the independence required for effective performance.
- The Executive Risk Committee (ERC), chaired by the CRO, operates under BRC-approved terms, and is authorised to seek information from any area within the Society.
- The BRC will also periodically receive Internal Audit reports, which will include assessments of the effectiveness of the 2LoD.

Third line (3LoD)

The Third Line of Defence (3LoD) is the Society's Internal Audit function. The purpose of Internal Audit is to provide an independent and objective opinion to the Board, on the adequacy and functioning of the system of internal control for the Society. Internal Audit has responsibility for bringing a systematic and disciplined approach to evaluating the effectiveness of the risk management, control, and governance processes. Through its activities, Internal Audit provides our Leadership Team with information to help improve its risk management, control, and governance processes.

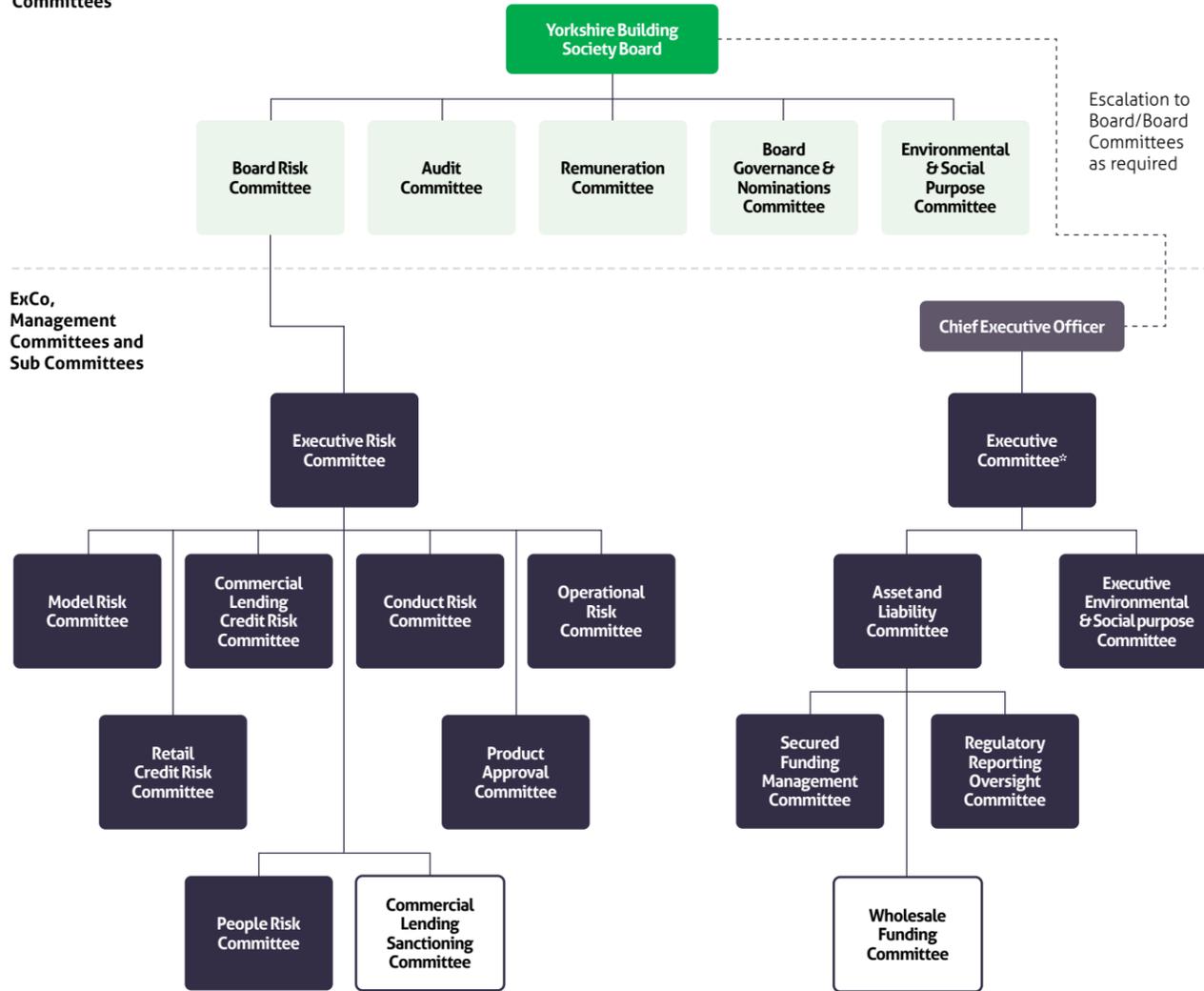
As the 3LoD does not direct or implement processes, it maintains a higher level of organisational independence and objectivity.

Further details on the role of the 3LoD can be found in the Internal Audit Charter⁴².

Governance

The Society's Board and senior management Committee structure is illustrated below.

Board and Principal Board Committees



* Supports the CEO in the day-to-day management of the Society.

⁴² <https://www.ybs.co.uk/documents/pdf/financial/group-internal-audit-charter.pdf>

The Board is ultimately responsible for the effective management of risk. The approval of risk appetite and certain risk management policies are amongst several specific areas which are matters reserved for the Board.

The BRC is a Board Committee that oversees, on behalf of the Board, the key risks inherent in the Society and the system of internal controls necessary to manage such risks.

The ERC is responsible for the monitoring of day-to-day risk management activity including, but not limited to, reviewing the effectiveness of the Society's risk management framework and system of internal controls.

Below the Board and senior management Committee structure is a set of category and business unit risk sub-committees. These monitor risk management activity across the key risk categories, acting as a point of escalation for matters of Society level significance.

Principal risks and uncertainties and how we mitigate them

Our principal risks and uncertainties and our risk profile evolve as we move through the economic cycle. We have an ongoing process for identifying, evaluating and managing the principal risks we face, and this process is regularly reviewed by the BRC.

Strategic risk	
Risk YBS is unable to achieve its strategic objectives due to poor business decisions, improper execution of decisions, or external events.	
Sources	
<ul style="list-style-type: none"> The business environment we operate in could change unexpectedly. The decisions we make and actions we take could prove ineffective. 	
Approach	Commentary
<ul style="list-style-type: none"> We perform regular horizon scanning, corporate planning, scenario analysis, competitor analysis and business performance monitoring to mitigate risks arising from the economic environment and our strategic choices. We have defined risk attitudes, risk appetites and risk metrics for all of our other principal risks. Our business model is relatively simple, but we operate in a highly competitive market. Our hedging strategy therefore, mitigates the risks arising from our focused range of products in this market. 	<ul style="list-style-type: none"> We have continuously monitored the external environment in which we operate. The prevailing high-interest rate environment remained a barrier for those seeking a mortgage. Homeowners with an existing mortgage demonstrated a higher propensity to remain with their existing lender likely due to affordability constraints, resulting in a reduced range of options for those reaching the end of their fixed-rate term. The size of the remortgage market reduced as a result of this dynamic. A stable benchmark rate led to an observed easing in competitive intensity in the savings market, with market-leading rates gradually decreasing since their peak in late 2023. Whilst cost-of-living pressures do continue to weigh on the personal finances of many, the savings market has continued to grow, with inflationary pressures having eased and real incomes having increased slightly.



Financial risk	
Risk of YBS having inadequate cash flow or capital to meet current or future requirements as they fall due.	
Sources	
<ul style="list-style-type: none"> Exposure to financial market participants who may default on obligations, and vulnerability to sudden deposit withdrawals or loss of investor confidence. Potential for principal Liquidity or Capital risks to materialise, leading to losses and capital depletion and regulatory requirements for capital could increase. Exposure to foreign exchange rate fluctuations and credit spread risk that affect asset valuations and perceived creditworthiness. 	
Approach	Commentary
<ul style="list-style-type: none"> The financial risks are constrained by Board-approved risk appetites and policies. 	<ul style="list-style-type: none"> Our financial risk policies and policy guides outline how the risks are managed and executed.
<ul style="list-style-type: none"> Treasury risk: Our liquid asset buffer portfolio is invested in the highest quality assets. Most of our derivative contracts are subject to centralised clearing to minimise risk exposures with counterparties. Where this is not possible, derivative exposures are restricted to high quality counterparties, which are subjected to regular review by the Asset & Liability Committee (ALCO). 	<ul style="list-style-type: none"> Treasury risk: We review each wholesale counterparty limit at least on an annual basis, or sooner if a risk event occurs in the interim. The size of the credit limit we allocate to each counterparty is driven by the operational need and their credit status, as determined by internal analysis, and is calibrated to the size of our capital position to ensure that our financial viability is not overly exposed to any single counterparty. Exposure to AA- or above counterparties remains high, maintaining the low risk profile in accordance with Board risk appetite. The risk has not materially changed since last year; market volatility is still at relatively elevated levels generally, but the credit controls we have in place remain appropriate.
<ul style="list-style-type: none"> Funding & liquidity risk: We are primarily funded through retail savings balances, supported by a strong franchise in key wholesale funding markets. The Board annually approves the key assumptions and controls for managing liquidity risk, including internal liquidity stress testing, as part of the Internal Liquidity Adequacy Assessment Process (ILAAP). We conduct internal liquidity stress testing to ensure sufficient liquidity is available to meet business-as-usual and stressed requirements. We also ensure compliance with regulatory requirements, including the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). Reverse Stress Testing (RST) is performed to understand the possible scenarios and risk drivers that could lead to the potential failure of the Society through the assessment of the Society's Point of Non-Viability (PoNV), and whether sufficient mitigations are in place. 	<ul style="list-style-type: none"> Funding & liquidity risk: Our liquidity levels remained strong and materially above regulatory requirements throughout 2025. We report the LCR to the PRA monthly, evidencing sufficient levels of high-quality liquid assets are held against the expected net liquidity outflows over a 30-day stress period. This is reported on both a Society and a Group basis. At December 2025, the Group LCR was 238.7%. Liquidity levels are forecast to remain above regulatory and internally derived minimum requirements across the Society's planning horizon. Fixed income securities are hedged for interest rate risk with c.95% held as Fair Value Through Other Comprehensive Income (FVOCI).

Financial risk	
Approach	Commentary
<ul style="list-style-type: none"> Market risk: We have a dedicated system to model market risk. This covers value, earnings and credit spread measures, including market value change for a move in interest rates and credit spreads and scenario analysis. A range of assumptions are captured within the market risk models, including customer behaviour. Assumptions are subject to review at the Monthly Asset and Liability Forum (ALM) by the senior leadership with delegated authority. Market risk metrics are monitored daily, with monthly reporting of information to the Asset Liability Committee (ALCO), ERC and Board, and quarterly reporting to BRC. An internal capital assessment (ICAAP) of Pillar 2A Risk Assessment for interest risk in the banking book, including foreign exchange and credit spread risk, is undertaken annually with final approval at the Board. 	<ul style="list-style-type: none"> Market risk: All market risk appetite metrics are reviewed each year to ensure they remain effective in the current rate environment and to keep pace with projected balance sheet growth. We proactively manage our interest rate risk exposure within approved risk appetite limits. Credit Spread Risk is monitored daily through Credit Spread 01 (CS01). PV100 (the market value impact arising from a parallel 100bps increase in interest rates) results in a loss, with a year-end value of -£1.9m in 2025. This positions us unfavourably for a rise in rates, but favourably should rates fall. The 12-month earnings sensitivity has decreased year-on-year (impact on 1 year net interest income of a 1.0% parallel increase/decrease in rates). As at December 2025 the sensitivity was an £18.3m cost against the parallel down shock. A structural hedge is in place to mitigate the interest rate risk arising from reserves and the repricing of administered rate savings balances.
<ul style="list-style-type: none"> Capital risk: We manage capital to comply with regulatory requirements and risk appetite levels to support our strategic objectives for sustainable growth. We perform an Internal Capital Adequacy Assessment Process (ICAAP) at least annually to ensure that we hold sufficient capital and have adequate governance and controls to manage the risks to capital arising from our business model. The ICAAP considers severe but plausible stress scenarios. Reverse Stress Testing (RST) is performed to understand the possible scenarios and risk drivers that could lead to the potential failure of the Society through the assessment of the Society's Point of Non-Viability (PoNV), and whether sufficient mitigations are in place. Further details of our capital position can be found in the 2025 Pillar 3 Disclosures. 	<ul style="list-style-type: none"> Capital Risk: We maintained strong capital levels throughout 2025, well above regulatory requirements and internal risk appetite, and forecast that this position will be maintained across our planning horizon. The implementation of Basel 3.1, per the PRA's near-final policy statements (PS17/23 and PS9/24), on 1 January 2027 is a key focus for the Society. We are well positioned to comply with these enhanced requirements. Alongside this, we continue to work towards Institutional Review Board (IRB) accreditation. We have in place a modification by consent to disapply the Leverage Ratio – Capital Requirements and Buffers part of the rulebook until 30 June 2026. The UK Leverage regime is now only applicable when retail deposits surpass £75bn after change in regulation in 2025. We continue to monitor the potential impact of leverage ratio framework (LREQ) on our balance sheet and capital buffers to support our strategic objectives while remaining compliant with regulatory demands. We are currently subject to end-state MREL (Minimum Requirement for Own Funds and Eligible Liabilities) requirements on a risk weighted basis, and expect MREL to be based on leverage once LREQ status applies. We comfortably met both these requirements throughout 2025.

Credit risk

The risk that retail and commercial borrowers fail to meet their financial obligations to YBS as they fall due, resulting in higher-than-expected losses.

Sources

- Loans to retail and commercial customers may not be fully repaid.

Approach	Commentary
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| <ul style="list-style-type: none"> Retail and commercial credit risk is constrained by a Board-approved risk appetite and the retail and commercial lending policy. Our robust credit risk framework ensures lending remains within limits and appropriate remedial action is taken if a breach occurs. Adherence is monitored through governance committees. We regularly use stress testing to assess the resilience of our portfolio. Our credit risk models are overseen by the model governance framework (see Model risk). | <ul style="list-style-type: none"> We have continued to see stability in our arrears rates and overall rates remain low. At 2025 year-end our >=3m arrears rate (% by volume) for Retail mortgages was 0.52%, 2bps higher than where we were at the end of 2024. This compares favourably to the latest UK finance market average of 0.88%. Our Commercial Lending >=3m arrears rate has seen a small increase throughout 2025, increasing from 0.05% at the end of 2024, to 0.16% at the end of 2025, however volumes in the arrears stock remain low at only three accounts. Our internal arrears forecast anticipates arrears will remain stable throughout 2026. However, given our continued purpose-aligned lending strategy to support first time buyers, including those with higher LTVs, we may continue to see convergence between YBS Retail arrears and the UK finance market average during 2026. We continue to proactively contact the most at-risk customers via pre-arrears strategies and have a robust set of forbearance solutions to support customers in financial difficulties. Our residential possession rate was 0.03% at the year-end, compared to the latest UK finance market value of 0.04%. For Retail buy-to-let mortgages, the possession rate is 0.17%, compared to the UK finance market average of 0.12%, which is mainly driven by our legacy retail buy-to-let portfolios. Our Indexed LTV position of the book has remained relatively stable over the year; 9.7% of our Retail mortgage book has an indexed LTV >85%, compared to 9.5% in December 2024. Whilst we have seen positive house price movements in 2025, these positive indexed LTV movements on the book have been offset by the higher proportion of >85% LTV completions to support our lending strategy (27% in 2024 compared to 33% in 2025). Overall the asset quality of our portfolios remains strong. A large proportion of the expected credit losses held against our mortgages relates to pre-2009 lending. |
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Model risk

Risk of adverse consequences arising from model errors and inappropriate use of model outputs to inform business decisions, resulting in losses, non-compliance and/or reputational damage.

Sources

- Models may be incorrectly designed or be implemented incorrectly.
- Models may use logic and assumptions based on the past which are no longer relevant.

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| <ul style="list-style-type: none"> We maintain an inventory of models which are governed by our model risk policy and model governance framework. We have a process to identify and monitor new models to bring these into governance. Compliance with the policy is monitored by the Model Risk Committee (MRC), which is chaired by the Chief Risk Officer. | <ul style="list-style-type: none"> Work to assess our model risk management framework against the final regulatory Model Risk Management Principles (SS1/23) has been carried out and a plan to close gaps has been reported to the MRC. Given the current political and economic climate and our growth in size and complexity, there is an elevated level of systemic model performance risk in models which are calibrated based on historical events and/or customer behaviours, which requires close monitoring. Model risk appetite tracks key governance and performance metrics. Measures for the performance of critical models are presented to the MRC to ensure mitigants and remedial plans are put in place to manage and address any identified risks. |
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Change risk

Risk YBS mismanages strategic and operational change due to ineffective prioritisation, scoping, definition, implementation, or lack of business readiness. Resulting in failure to meet strategic objectives, regulatory requirements, or customer and employee needs; business disruption; and inefficient use of resources.

Sources

- We fail to deliver strategic outcomes.
- The business is not equipped to manage changes to people, process and technology.

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| <ul style="list-style-type: none"> Change risk is constrained by Board-approved risk appetite and a Change Risk policy. Directors must regularly attest to the effectiveness of the controls they are responsible for through the risk and control self-assessment process. Change Board is responsible for the prioritisation of change initiatives and the successful delivery of outcomes. | <ul style="list-style-type: none"> Following the elevation of Change Risk to Board level, a Tier 1 Change Risk Policy has been created. In addition to the suite of Executive Risk Metrics, a Board Risk Appetite Metric has also been added and approved by Board Risk Committee. In January 2025, we introduced our Change Risk Forum to monitor existing and emerging operational risks that may impact the ability to deliver change safely. In addition to this, thematic One Plan Risks and Issues are presented at Board Risk Committee quarterly. |
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Operational risk

Risk of loss, damage, or disruption due to inadequate or failed internal processes, systems or people and external events.

Sources

- Our technology may fail.
- Our suppliers may fail to meet their contractual obligations.
- Criminals may use the Society for illegal activity.
- Other external or internal events.

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| <ul style="list-style-type: none"> ■ Operational risk is constrained by a Board-approved risk appetite and a number of risk-specific policies. ■ The ERMF defines how colleagues are expected to identify, assess, monitor, manage and report their operational risk exposures. ■ Directors must regularly attest to the effectiveness of the controls they are responsible for through the risk and control self-assessment process. | <ul style="list-style-type: none"> ■ There has been an increase in the value of operational losses in 2025 to £2.50m (2024: £1.69m) ■ We continue to invest in our cybersecurity posture and focus on IT risk through a multi-year programme, addressing legacy risks and enhancing resilience, and enhanced colleague awareness, underpinned by external benchmarking and robust risk management. ■ YBS has strengthened its risk management capability by launching an enhanced RCSA process on a new risk platform to drive engagement, granularity and action focus, while upgrading the ERMF with clear standards, integrated guidance and alignment to the platform rollout to ensure consistent, high-quality risk practices. ■ We strengthened financial crime controls with enhanced transaction monitoring and customer screening, while improving payment resilience through introducing inbound Faster Payments with better incident response to reduce disruption risk. ■ We continue to enhance our Operational risk capabilities with the strengthening of controls and oversight, providing independent assurance that controls are in place and supporting improvements in both effectiveness and efficiency. |
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People risk

Risk YBS fails to attract, manage, retain and motivate a diverse, inclusive and appropriately skilled workforce. Resulting in operational disruption, non-compliance with employment legislation, lack of engagement, undue focus on short-term goals/excessive risk taking and reputational damage.

Sources

- We may not be able to attract the right people due to skills shortages in the market.
- We may not be able to retain the right people due to burnout, poor leadership behaviours or policy changes.
- We may not be able to upskill our colleagues to be future ready if we don't identify future needs in time.
- We may not respond quickly enough to ensure we comply with employment legislation changes.

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| <ul style="list-style-type: none"> ■ People risk is constrained by a Board-approved risk appetite and a number of people risk-specific policies. ■ We apply preventative and detective controls across key areas including capacity management, skills and capability, health and wellbeing, diversity, equity and inclusion and behaviours which are assessed through our half-yearly Risk and Control Self-Assessment and attested to by Directors across the business. ■ We perform regular horizon scanning and benchmarking to mitigate risks arising from the legislative changes. | <ul style="list-style-type: none"> ■ Following the elevation of People Risk to Board level, a prioritised action plan saw many changes within 2025 including the introduction of a Tier 1 People Risk Policy and associated Risk Appetite Metrics, the development of Executive Tier People and Culture Risk Policies and the establishment of a People Risk Committee to ensure there is a dedicated forum for oversight, challenge and decision-making. ■ In addition, several additional measures have been introduced to enhance the control environment, improving risk management and governance practice. |
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Conduct risk

Risk YBS fails to deliver good customer outcomes and/or negatively impacts market integrity, resulting in customer harm, non-compliance, reputational damage and financial loss.

Sources

- Designing products and services.
- Marketing and communications.
- Customer servicing across channels.
- Providing extra support where needed.

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| <ul style="list-style-type: none"> ■ Compliance and conduct risk is constrained by a Board-approved risk appetite and a number of risk-specific policies. ■ Conduct risk is managed through a suite of frameworks and processes embedded across the customer lifecycle, including product governance, marketing approvals, customer servicing protocols, and vulnerability support mechanisms. These frameworks ensure that customer outcomes are considered at every stage, with clear escalation routes and decision-making forums to address risks proactively. ■ We monitor conduct risk metrics for a number of areas via the monthly conduct risk committee including product design, fair value, sales, service, customer vulnerability, complaints and collections. ■ The second line of defence provides compliance support and oversight on all regulatory matters to the first line, for both day-to-day operations and change programmes. | <ul style="list-style-type: none"> ■ We have continued to progress actions to evolve and enhance how we meet the requirements of the FCA's Consumer Duty regulation for open and closed products and services. The outcomes of this work were approved by the Board following the annual Consumer Duty Board Assessment. ■ In July 2025, YBS introduced a new Tier 2 conduct risk category that focuses on Vulnerable Customer Risk. There is an enterprise-wide action plan in place to support the management of this risk category. ■ A compliance monitoring plan, approved by the Board Risk Committee (BRC), has been completed during 2025 allowing robust oversight of the key areas of conduct, financial crime, and data protection risk. All oversight findings are the subject of a formal action plan overseen to closure by the BRC. |
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Climate risk

We recognise the physical and transition risks arising from climate change create risk exposures in several of the principal risk categories above. We therefore manage these risks through the Enterprise Risk Management Framework to ensure they are properly considered alongside the other risks we face.

Further detail on how we manage climate change risk can be found in the 'How we manage climate-related risks' section

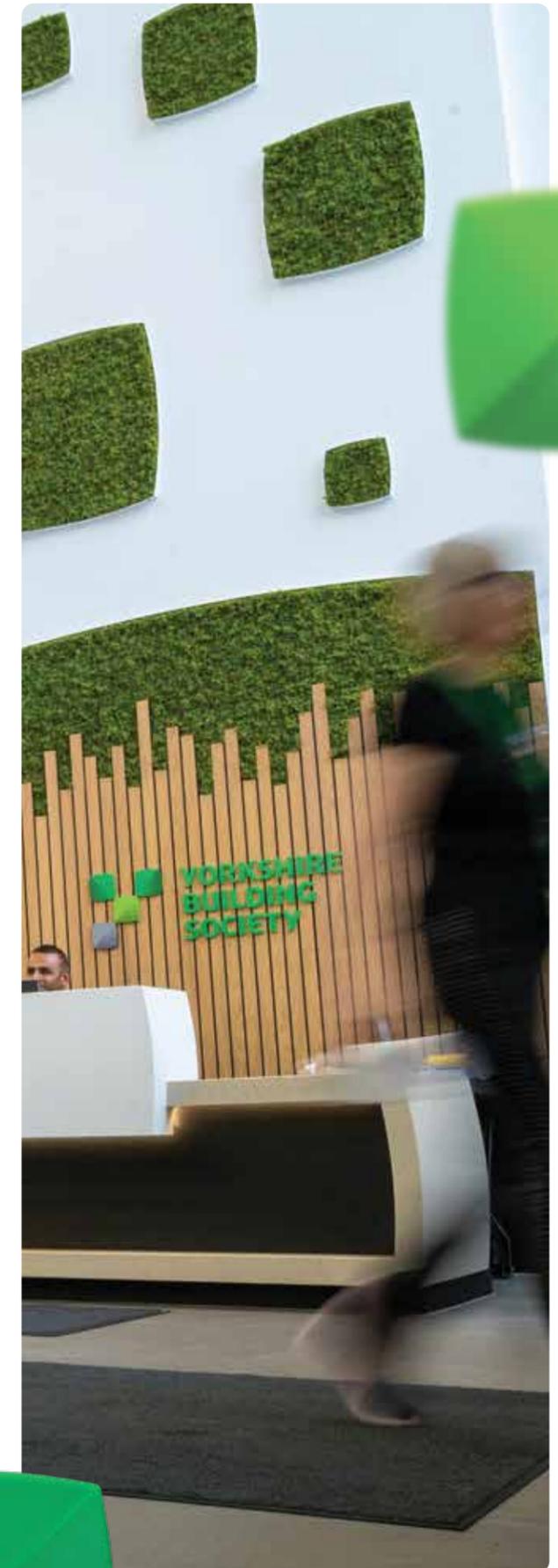
Stress testing

Stress testing is a proactive risk management tool used throughout the Society to better understand the potential vulnerabilities in our business model and exposures to capital, liquidity, market and credit risks. Stress testing results are presented to several committees including Asset & Liability Committee (ALCO), Executive Risk Committee (ERC), and Board.

The key uses of stress testing are to:

- Assess capital adequacy to determine the Society holds sufficient capital to withstand adverse economic and market conditions and ensure compliance to regulatory requirements.
- Understand the credit risk profile of our mortgage portfolios under a range of economic scenarios and ensure we can support customers in financial difficulties in periods of stress.
- Stress testing of the Corporate Plan to assess the robustness of our financial plan and exposures to adverse economic conditions.
- Manage liquidity by identifying, measuring, and managing material liquidity risk exposures under both normal and stressed conditions.
- Identify risk exposure to key risks in relation to capital, liquidity, and market risk.
- Enhance risk management to inform better risk control management and strategies.
- Support broader regulatory regimes including recovery and resolution planning and reverse stress testing.
- Identify the Society's Point of Non-Viability (PoNV) for capital and liquidity purposes and assess scenarios which could cause the Society to reach this level, ensuring there are sufficient mitigants in place.
- Support broader strategic decision-making in capital planning, business continuity and risk appetite assessment.

In 2025, the team used the Bank of England's 2024 desk-based stress test scenarios as part of the 2025 Internal Capital Adequacy Assessment Process (ICAAP) submission. This assesses capital requirements for the Society in both a high and a low-interest rate stressed environment. The stress tests have shown the Society is well positioned and capitalised to withstand a stress environment.



BOARD ENVIRONMENTAL AND SOCIAL PURPOSE COMMITTEE REPORT

A word from the Chair of the Board Environmental and Social Purpose Committee.

I am pleased to present the inaugural Board Environmental and Social Purpose Committee Report, which sets out the role of the Committee and gives an overview of its activity during the year.

The Committee was established during the year to ensure appropriate and robust Board oversight of the Society's approach to Environmental Sustainability and the delivery of our Purpose of helping our Members with Real Help with Real Life.

During 2025, there has been a clear focus on establishing plans to enable the Society to reach Net Zero in its own operations (Scopes 1 & 2) and its Suppliers (Scope 3). The Committee was instrumental in supporting management's efforts in bringing forward the initial date for Net Zero for Scopes 1 & 2 from 2035 to an anticipated 2030 and providing input into the Society's Supplier Management Plan for Scope 3 emissions.

The Society has worked to support its members during the year, providing Real Help with Real Life. The Committee has worked closely with the Chief Strategy and Sustainability Officer and the wider Executive team to oversee the establishment and utilisation of our Purpose in every aspect of the Society's decision making.

The Committee has worked closely with management and with the other Committees of the Board to develop the Sustainability Report for the Society (previously called the ESG Report in 2024). Looking ahead to 2026 and future years, the Society's Sustainability Report will provide members with greater insight into the extremely important initiatives that are ongoing and planned in the Society to achieve its goals.

I am most grateful to my fellow Committee members for their contributions to the discussions held during the Committee meetings during the year and look forward to working closely with them going forward.

Janet Pope
Board Environmental and Social Purpose Committee Chair

25 February 2026

Board Environmental and Social Purpose Committee membership and meetings

The members of the Board Environmental and Social Purpose Committee are:



Janet Pope
Committee Chair and Independent Non-Executive Director



Debra Davies
Independent Non-Executive Director



Mark Parsons
Senior Independent Director

In line with established practices for more traditional Committees of the Board, all members of the Committee are and will continue to be independent Non-Executive Directors in line with the provisions of the UK Corporate Governance Code 2024.

Only members of the Committee are entitled to attend its meetings, although others may be asked to attend all or part of a meeting. The Committee meetings are attended by the Board Chair and members of the executive team including the Chief Executive, Chief Financial Officer and Chief Strategy and Sustainability Officer.

The Committee held three scheduled meetings in 2025 and expects to meet a minimum of three times during 2026, as well as on an ad-hoc basis if required. Details of the number of scheduled Committee meetings attended by each member is available in the Corporate Governance Report.

Environmental and Social Purpose Committee responsibilities

The responsibilities of the Board Environmental and Social Purpose Committee include:

- Reviewing the outcomes of the Society's environmental and social purpose work across all activities against any targets and measurable objectives set by the Board.
- Oversight of the Society's environmental sustainability strategy.
- Monitoring emerging environmental issues requiring Board-level oversight.
- Reviewing and oversight of the Society's embedding of its Purpose across its business activities.
- Reviewing the Group's ESG ratings and approach to external reporting requirements, such as TCFD, International Sustainability Standards Board (ISSB) disclosures, working closely with the wider Board and its other Committees.

Further detail on the role and responsibilities of the Committee can be found in the Terms of Reference which are available on our website⁴³.

The Committee's Terms of Reference are reviewed annually to ensure that they remain aligned with regulatory requirements and good practice, alongside ensuring the Committee is fulfilling its responsibilities. To incorporate any changes arising from the Board and Committee Effectiveness Reviews, details of which are outlined in the Board Governance and Nominations Committee Report, the approval of the latest Terms of Reference reviews will take place in Quarter 1 of 2026. This timing aligns with the implementation of the current Terms of Reference in January 2025. Throughout 2025, the Committee fulfilled the requirements of its Terms of Reference, with particular emphasis on the areas that are covered in more detail in this report.

⁴³ <https://www.ybs.co.uk/your-society/inside-your-society/corporate-governance/committees#espc>

The Committee is committed to ongoing learning and development and Committee members also take part in training and receive briefings on areas that concern not only their roles on the Committee, but also their roles on the Board. At the inaugural meeting of the Committee, the Cambridge Institute for Sustainable Leadership (CISL) were invited to present on the current state of Environmental Sustainability throughout the globe. The presentation was attended by various members of the wider Board and Executive team and provided a clear indication of the challenges that climate change provides. Further training on key topics under the Committee's remit are expected during 2026.

Our Chair of the Board oversees the training and development of the full Board and you can find more information on this in the Composition, Succession and Evaluation section of the Corporate Governance Report.

Board Environmental and Social Purpose Committee effectiveness review

The effectiveness of the Board Environmental and Social Purpose Committee is assessed annually in accordance with its Terms of Reference and in line with the process adopted by the other Committees of the Board. For 2025 the Board Committee evaluations were incorporated into the Board internal evaluation process. A self-assessment exercise was performed, co-ordinated by Group Secretariat, and a summary of the results were reported to the Committee and discussed in January 2026. The 2025 review concluded that the Committee operated effectively during the year and that there were no significant areas for improvement or significant actions arising for the Committee.

Further details on the evaluation process for 2025 can be found in both the Board Governance and Nominations Report and the Corporate Governance Report.

Board Environmental and Social Purpose Committee training

At the first meeting of the Committee, the Cambridge Institute for Sustainable Leadership (CISL) was invited to provide a briefing on the current global climate challenges and the implications for the Society. The presentation was attended by various members of the wider Board and Executive Team and was the first of a series of ongoing briefings that will be provided during 2026.

DIRECTORS' REMUNERATION REPORT

A word from Debra Davies, Board Remuneration Committee Chair

I am pleased to set out how the Committee has overseen the application of the Society's Remuneration Policy during the performance year ended 31 December 2025.

Throughout the year, our focus has remained on ensuring that remuneration arrangements continue to support the long-term interests of the Society and its members, and that decisions are made in a fair, consistent and transparent manner.

The bonus schemes (Our Bonus and Our Senior Leader Bonus) continued to operate as intended during 2025. These schemes were designed to strengthen alignment between colleagues and the Society's strategy by applying financial and customer underpins across the organisation. The Committee continues to monitor their effectiveness closely, considering evolving remuneration regulatory expectations and evolving market practices.

During the year, the Society operated against a challenging external backdrop. Performance outcomes reflect financial discipline and a continued focus on member service. Under Our Bonus, eligible colleagues received an average award of 10% of salary. Senior leader outcomes were determined in line with the Society-wide scorecard and the achievement of agreed personal objectives. In reaching its decisions, the Committee considered whether bonus scheme outcomes appropriately reflected overall performance and the broader experience of members.

There were several changes to senior leadership and Committee membership during the year. Simon Watson joined the Society as Chief Customer Officer. Within the Committee itself, Dina Matta left, and Peter Bole joined, he is also Board Audit committee chair, strengthening the alignment of committees and governance.

I also confirmed my intention to step down from the Board and from my role as Chair of the Committee following the 2026 Annual General Meeting, having served as a Non-Executive Director for three years. Janet Pope, an existing member of the Board and Remuneration Committee will take over as Chair of the Committee.

The external regulatory environment has continued to evolve, particularly following the joint Prudential Regulation Authority and Financial Conduct Authority policy statement on Banking Remuneration Reform. During the year, the Society reviewed its approach to deferral and long-term performance alignment to comply with the revised requirements. This included simplifying deferral structures, adopting updated vesting arrangements and implementing revised proportionality thresholds. The Committee will continue to monitor future regulatory developments to ensure the Society's approach remains compliant and supports long-term sustainability.

Throughout the year, the Committee has been satisfied that remuneration decisions have been made in accordance with the approved Remuneration Policy and remain aligned to the long-term interests of the Society and its members. The Directors' Remuneration Report for 2025 will be subject to an advisory vote at the 2026 Annual General Meeting, and the Committee recommends that members vote in favour of the report.

Debra Davies
Chair of the Board Remuneration Committee
25 February 2026

Our committees

Our committees help us make sure our reward policies are fair, well-governed and fit for the future. The Board Remuneration Committee and People Risk Committee play a key role in keeping our approach to reward aligned with our strategy and compliant with regulation.

Board Remuneration Committee members and meetings

The members of the Board Remuneration Committee are:



Debra Davies
Committee Chair and Independent Non-Executive Director



Peter Bole
Independent Non-Executive Director (from 26 September 2025)



Janet Pope
Independent Non-Executive Director (from 1 January 2025).

Dina Matta (Former Independent Non-Executive Director) was a member of the Board Remuneration Committee until 22 October 2025 when she stepped down.

Our Board appoints members to the Board Remuneration Committee, and all members are independent Non-Executive Directors in accordance the requirements of the UK Corporate Governance Code (the Code). You can find out more about the skills, qualifications and experience of the Board Remuneration Committee members in the directors' biographies in the Our Board and Executive Team section.

Only Board Remuneration Committee members are entitled to attend its meetings, although others may be asked to attend all or part of a meeting. The Chair of the Board, Chief People Officer and Director of Performance and Reward are usually invited to attend each meeting. The Chief Executive also joins when needed to provide context and insight.

To help the Board Remuneration Committee make informed decisions, we seek independent advice. In 2025, EY provided guidance on reward and regulation. The Board Remuneration Committee is confident that all advice received was objective and independent.

In 2025 the Board Remuneration Committee held five scheduled meetings. Four of those finished with a private session between the Board Remuneration Committee members. These private sessions allow the Board Remuneration Committee members to discuss confidential matters, which may not be appropriate to discuss in the main meeting itself. We also used the Written Resolution process once where a matter required review and approval outside of the planned meeting schedule.

Details of the number of scheduled meetings attended by each member is available in the Corporate Governance Report.

Board Remuneration Committee responsibilities

The Board Remuneration Committee takes the lead on making sure our reward policies are right for our Chief Officers (including Executive Directors), our Material Risk Takers (MRTs), and all colleagues across the Society. It oversees the Society's Remuneration Policy, making sure it supports our long-term goals and meets regulatory expectations.

Here's what the Board Remuneration Committee gets involved in:

- Setting the Remuneration Policy for all colleagues.
- Reviewing and approving pay arrangements for Chief Officers and the Chair of the Board.
- Ratifying annual objectives for Executive Directors.
- Overseeing variable pay awards for other MRTs.
- Signing off bonus scheme outcomes across the Society.
- Applying malus or clawback where needed—if behaviour doesn't match our values.
- Overseeing remuneration processes in relation to MRTs.
- Making sure our Business Controls Overlay works as intended.
- Looking at how pay across the Society compares to Executive pay.

Further detail on the role and responsibilities of the Board Remuneration Committee can be found in the Terms of Reference which are available on our website⁴⁴.

⁴⁴ <https://www.ybs.co.uk/your-society/inside-your-society/corporate-governance/committees#remuneration>

The Terms of Reference of the Board Remuneration Committee are reviewed annually to ensure it continues to fulfil its responsibilities and meets regulatory requirements and good practice. The approval of the latest annual Terms of Reference reviews will be completed in Quarter 1 2026 (which aligns with the implementation of the current Terms of Reference in January 2025). Throughout 2025, the Board Remuneration Committee fulfilled the requirements of its Terms of Reference, with particular emphasis on the following areas:

- Performance related pay schemes.
- The Business Control Overlay process.
- Material Risk Taker (MRT) Identification.

The Board Remuneration Committee is committed to ongoing development and learning and regular updates on significant regulatory changes and market insights are provided by the independent adviser during committee meetings.

Further information in relation to Board training can be found in the Corporate Governance Report.

Board Remuneration Committee effectiveness review

In 2024 the Board Remuneration Committee completed an internal effectiveness review, there were no urgent or significant actions arising from this review. For 2025, the Board Remuneration Committee undertook an internal effectiveness review based on a questionnaire approach. The Board Remuneration Committee considered the outcomes of the 2025 effectiveness review at its meeting in January 2026. There were no urgent or significant actions identified.

Further details on the evaluation process for 2025 can be found in both the Board Governance and Nominations Committee Report and the Corporate Governance Report.

Corporate Governance

Provision 38 was introduced as part of the UK Corporate Governance Code 2024. Aimed at strengthening transparency and accountability in executive pay, companies are required to include a clear statement in their annual remuneration report on the operation of malus and clawback arrangements (including the circumstances in which malus and clawback would apply, the duration of the malus and clawback period and whether this was used within the reporting year). Provision 38 has been fully considered, and its requirements have been incorporated into the malus and clawback section of the Directors' Remuneration Report.

People Risk Committee

As part of our evolving approach to risk management, we've made a change during 2025. The responsibilities that used to sit with the Performance & Reward Committee now fall under the People Risk Committee—a sub-committee of our Executive Risk Committee (ERC).

This Committee plays a vital role in making sure our Remuneration Policy works well in practice. It keeps a close eye on conduct, risk and how well our approach aligns with our strategy. It also ensures that any variable pay we offer encourages the right behaviours and supports good outcomes for our members and customers.

The Committee brings together senior leaders from across the Society, with representation from Customer Services, Commercial, People, Finance and Risk.

How we manage risk and governance in reward

Our reward policies and practices meet all internal governance standards and regulatory requirements. They're designed to manage risk—now and in the future—for our members, customers and colleagues.

Before any bonus is paid, we run a full risk check through our Business Controls Overlay – so awards stay fair and responsible.

We're currently reviewing the latest Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) Policy Statement on Banking Remuneration Reforms. These changes affect how variable pay must be deferred - whether it's already awarded or still to come. We're committed to implementing these changes in a way that supports our values and long-term sustainability.

Our regulators

We're regulated by the PRA and FCA. Our relationship with them matters. It builds trust - inside and outside the Society. That's why our approach to base pay, bonuses and benefits is designed to meet regulatory standards and foster confidence.

Executive Director remuneration for 2025

All remuneration in the 2025 performance year has been awarded in line with the Society's Remuneration Policy.

Details of the full policy relevant for 2025 can be found at www.ybs.co.uk.

The table below shows the single total figure table of remuneration for the Executive Directors of the Society for the years ended 31 December 2025 and 31 December 2024. This information has been audited by our independent auditors, PwC.

Single total figure of remuneration for each Executive Director (audited)

Executive Directors	Role	Fixed Remuneration								Variable Remuneration						Total Remuneration Excluding Replacement Awards		Total Remuneration Including Replacement Awards	
		2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024		
		Base Salary £'000	Taxable Benefits £'000	Pension £'000	Total Fixed £'000	Bonus £'000	Replacement Awards £'000	Total Variable £'000	£'000	£'000									
Susan Allen	Chief Executive Officer	805	798	32	32	88	88	925	918	686	777	N/A	N/A	686	777	1,611	1,695	1,611	1,695
Tom Ranger ⁴⁵	Chief Financial Officer	493	259	37	19	54	29	584	307	327	426	N/A	869	327	1,295	911	733	911	1,602

Past Executive Directors of the Society, Alasdair Lenman and David Morris, received no remuneration in 2025.

Their remuneration relating to 2024 was published in the 2024 Director's Remuneration Report.

Only basic salary is pensionable and Executive Director pension contribution rates are aligned with the wider workforce.

Base salary

In 2025 Tom Ranger was awarded a pay increase of 5.15% effective 1st September. This uplift was in recognition of Tom's expanded role to include Strategy and Corporate Affairs and remains in line with our analysis of the broader market. Susan Allen did not receive a pay increase in 2025.

Variable pay

For the 2024 performance year, we introduced a new bonus system – one that's fairer, clearer and built around what matters most: how we perform financially and how we support our customers.

We've got two schemes in place:

- 'Our Bonus' – for all colleagues (excluding Senior Leaders)
- 'Our Senior Leader Bonus' – for Senior Leaders, including Executive Directors

Both schemes are shaped by the same things: our financial performance and the experience we give our customers. For 'Our Bonus', these unlock and guide the bonus pool. For 'Our Senior Leader Bonus', they help determine the bonus opportunity.

In 2025, we focused on embedding these schemes – making sure they work well, feel fair and reflect the impact we all make.

⁴⁵ Tom Ranger – joined the Society as Chief Financial Officer on 18 June 2024 and was awarded an annual base salary of £485,000. Replacement awards included £868,937 awarded to compensate for deferred awards forfeited on leaving his previous employer.

Performance and Bonus Outcomes in 2025

The Society's bonus schemes are underpinned by two key performance measures: Core Operating Profit and customer Net Promoter Score (NPS). These metrics reflect the Society's financial strength and the quality of service delivered to members.

Financial performance

The Society's Profit Before Tax (PBT) is adjusted for bonus purposes to exclude items that do not reflect underlying commercial performance - such as timing differences or accounting treatments. This adjusted figure is referred to as Core Operating Profit.

In 2025, the Society's Core Operating Profit exceeded the target set for bonus purposes. This solid financial performance contributed positively to the overall bonus outcomes for the year. The Board Remuneration Committee retains discretion to make further adjustments to the profit calculation where appropriate, for example, to reflect significant investment in growth or material deviations from cost management plans.

Customer experience

The second performance measure is the Society's Net Promoter Score (NPS), which assesses how likely members are to recommend the Society. In 2025, the Society achieved an NPS of 66, which was above the target threshold. This result reflects continued strong member advocacy and contributed to the bonus opportunity.

Sustainability and governance

Before any bonus awards are granted, the Society undertakes a comprehensive review to ensure that capital levels remain sustainable and compliant with regulatory requirements. This includes an assessment of cost management practices to confirm they are robust and aligned with the Society's long-term financial health.

Bonus Scheme Operation

The Society operates two bonus schemes: Our Bonus, which applies to all colleagues excluding Senior Leaders, and Our Senior Leader Bonus, which applies to Senior Leaders including Executive Directors.

For both schemes, bonus awards are contingent on the achievement of threshold performance levels against two key business metrics: Core Operating Profit and customer Net Promoter Score (NPS). These metrics reflect the Society's financial health and the quality of customer experience delivered.

Under Our Bonus, once the Society-wide performance thresholds are met, an individual's bonus award may include an additional percentage based on personal performance. This is assessed against the achievement of individual objectives, which may include both financial and non-financial measures.

Under Our Senior Leader Bonus, the Society's performance across all measures in the Remuneration scorecard determines the core bonus award and aligns Executive remuneration with Society strategy. An additional percentage is also awarded based on individual performance, assessed against objectives agreed at the start of the year and subject to independent review at year end. These objectives encompass both financial and non-financial elements.

Our Business Controls Overlay ensures that all relevant risks have been considered.

How 'Our Senior Leader Bonus' value was calculated for Executive Directors

Category	Measure	Weighting	Achievement	Outturn
Customer	Balance Growth	5%		0%
	NPS score	7.5%		6.9%
	Retention (Mortgages)	5%		2%
	Member value	5%		5%
	Key One Plan priorities delivered	10%		2.5%
	Sum of Customer	32.5%		16.4%
Financial	Core Operating Profit	25%		23%
	Run Costs	15%		8%
	Sum of financial	40%		31%
Colleague	Ambitious Culture	7.5%		2.8%
	Sum of Society performance	80%		50.2%

There is an additional 20% associated with individual performance across colleague metrics.

Risk Underpin: the above scorecard is subject to the Society remaining within Risk Appetite (based on a qualitative assessment of Tier 1 Risk Appetite metrics undertaken at year-end).

Executive Director personal objectives 2025

Alongside the shared Senior Leader scorecard for 2025, each Executive Director also worked towards a set of personal objectives.

Following a thorough assessment, both the CEO and CFO were found to have met or exceeded their targets, with bonus outcomes of 10% and 16% respectively, awarded from a maximum of 20%.

The Board Remuneration Committee carefully reviewed these outcomes to ensure they fairly reflected individual performance. The Committee concluded that the results were a balanced and accurate representation of achievement.

How bonus is awarded for Executive Directors

In line with relevant remuneration regulations, bonus awards for Executive Directors are deferred over a number of years.

The table below shows when payments linked to 2025 performance will vest. Half will be paid in cash, and the other half through Share Equivalent Instruments (SEIs), which are subject to a holding period, and malus and clawback provisions. You can find more detail in the 'Deferral and Share Equivalent Instrument (SEI)' section.



Regulatory review

Following the joint policy statement from the PRA and FCA on Banking Remuneration Reform, we've reviewed our approach to bonus deferral and long-term alignment. While our structure has always balanced cash and Share Equivalent Instruments (SEIs) with appropriate holding periods, we've now simplified things in line with the new rules.

The changes mean our approach is clearer, fairer and easier to understand – while keeping risk management front and centre. We've shortened deferral periods, introduced pro-rata vesting and removed unnecessary complexity, so colleagues know what to expect and when.

The Board Remuneration Committee will keep a close eye on developments and make further adjustments if needed, ensuring our practices stay aligned with regulation and support the long-term sustainability of the Society.

Executive Director	Role	Total Award		Deferral schedule				
		Cash	SEI	2026	2027	2028	2029	2030
		£'000	£'000	SEI £'000	SEI £'000	SEI £'000	SEI £'000	SEI £'000
Susan Allen	CEO	343	343	63	70	70	70	70
Tom Ranger	CFO	163	165	33	33	33	33	33

Remuneration scenarios in relation to the Remuneration Policy in 2025

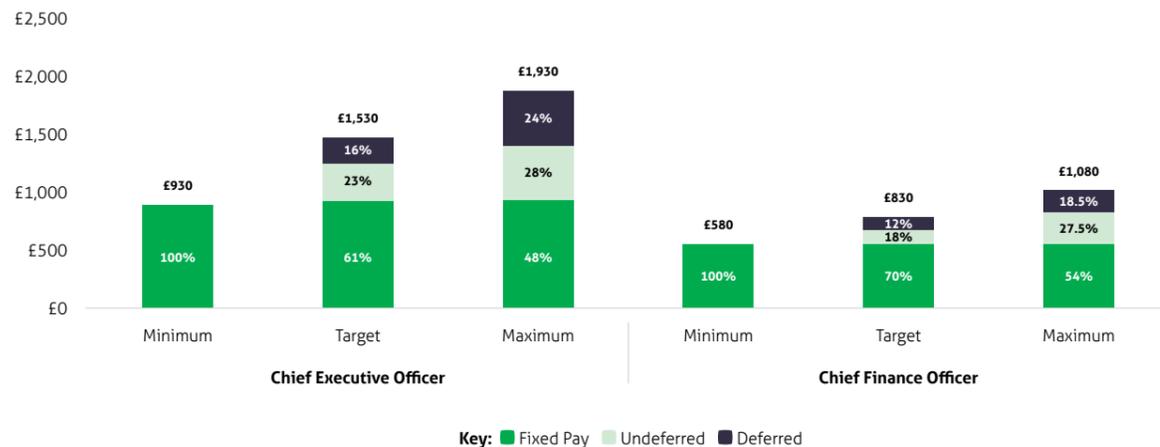
The chart below shows how remuneration could be split between fixed pay (base salary, benefits and pension) and variable pay (bonus) for the Chief Executive and other Executive Directors.

To bring this to life, we've used data for the CEO and CFO under three different scenarios:

- **Minimum** – where performance conditions aren't met, and no variable pay is awarded.
- **Target** – where Society and personal performance measures are achieved. This would result in a variable pay award of 75% of eligible pay for the CEO and 50% for other Executive Directors.
- **Maximum** – where stretch objectives are fully met. This could result in a variable pay award of up to 125% of eligible pay for the CEO and 100% for other Executive Directors.

These scenarios help show how performance shapes reward—and how our approach stays aligned with long-term sustainability and fairness.

Figures in this table are represented in £'000's.



Payment for loss of office

No payments were made to Executive Directors for loss of office in 2025.

Payment to past Directors

No payments were made to past Directors in 2025 that haven't already been disclosed in previous reports.

Colleague consideration in relation to remuneration

We're building a workplace where colleagues feel part of something bigger — engaged in our journey and proud to play their part. Feeling valued and respected is key to that, and our reward approach plays an important role. It's shaped by our mutuality and values, and designed to help colleagues work together for the benefit of the Society, our members and our customers.

Colleague listening

We actively listen to colleagues in lots of ways—including through our recognised trade union, Aegis, and our Colleague Forum, which gives direct input into how our reward framework is shaped and developed. Since January 2024, Angela Darlington has been our Non-Executive Director for Workforce Engagement, helping ensure colleague views are heard at Board level.

Supporting colleagues in 2025

We want every colleague to feel recognised, valued and fairly rewarded for the role they play in delivering great service and keeping the Society running smoothly.

In 2025, we made another meaningful investment in base pay. Eligible colleagues received an average salary increase of around 3.3% , made up of a core award of 3% and a discretionary uplift for some. We also made a one-off payment of £200 to all eligible colleagues, to recognise cost of living challenges.

CEO Pay ratio reporting

We continue to publish the ratio of the Chief Executive's pay compared to the wider colleague population. This looks at total remuneration for the CEO against that of the median colleague, as well as those at the 25th and 75th percentiles.

As in previous years, we've used reporting 'Option B'. This means we've drawn on our existing gender pay gap data to identify colleagues at each quartile. The total remuneration for these colleagues was calculated as at 31 December 2025.

This ratio reflects the nature of the Society—where a wide range of roles and skillsets come together to make things work. From customer-facing colleagues in our branches and call centres, to highly specialised roles in areas like Treasury, it's a diverse mix that's essential to how we serve our members.

Year	Defined Method	25th percentile	50th percentile	75th percentile
2025	Option B	50:1	38:1	26:1
2024	Option B	59:1	43:1	28:1
2023	Option B	60:1	44:1	28:1
2022	Option B	28:1	21:1	14:1
2021	Option B	29:1	21:1	14:1

The total remuneration values and base salary values for the 25th, 50th and 75th percentile employees for 2025 are:

	25th percentile	50th percentile	75th percentile
Total Remuneration	£32,198	£42,374	£60,971
Salary	£27,008	£35,180	£51,000

The following elements have been utilised to calculate the total remuneration of each colleague; base salary, pension (including pension cash allowance), car allowance, private medical insurance and bonus.

Non-Executive Directors

Chair of the Board and Non-Executive Directors

We review fees for the Chair of the Board and our Non-Executive Directors (NEDs) from time to time.

Towards the end of last year, we completed a review of our Board and Committee architecture. As part of that, we also looked at the time commitment and fees for our NEDs. With the role continuing to evolve and expectations increasing, we agreed updated fees to reflect the revised time commitment and responsibilities. These changes took effect from 1 January 2025.

Governance > **Directors' Remuneration Report**

The Chair of the Board wasn't included in this review. Their fee was considered separately as part of the usual cycle, with a 3% increase applied from 1 July 2025 - aligned with the award made to the wider colleague population.

Chair of the Board fee (annual equivalents)	Annual fees as at 1 July 2025	Annual fees as at 1 July 2024
	£'000	£'000
Chair of the Board basic fee	232.0	225.0

Non-Executive Director fees (annual equivalents)	Annual fees as at 1 July 2025	Annual fees as at 1 July 2024
	£'000	£'000
Non-Executive Director basic fee	62.0	59.8

Additional fee for:		
Vice Chair of the Board*	12.5	Not applicable
Senior Independent Director*	25.0	Not applicable
Board Audit Committee - Chair	27.0	24.3
Board Audit Committee - Member	13.5	10.1
Board Remuneration Committee – Chair	20.0	19.9
Board Remuneration Committee – Member	10.0	7.3
Board Risk Committee – Chair	27.0	24.3
Board Risk Committee – Member	13.5	10.1
Board Governance and Nominations Committee**	10.0	7.3
Board Environmental and Social Purpose Committee – Chair***	20.0	Not applicable
Board Environmental and Social Purpose Committee - Member***	10.0	Not applicable
Board Champion Roles (excluding where Champion Roles are held by the Vice Chair or Senior Independent Director)	3.0	Not applicable

*In 2024, the Senior Independent Director and Vice Chair was a combined role with a fee of £25,000.

**Fee does not apply to the Chair or Senior Independent Director

*** New Committee established with effect from 1 January 2025

We don't expect to review NED fees again—or Committee Chair and membership fees—until the second half of 2026.

Single total figure of remuneration for each Non-Executive Director

The basic and committee fees earned by our Non-Executive Directors in 2025 are outlined below. Non-Executive Directors don't receive any benefits, but they are reimbursed for expenses such as travel and subsistence, in line with the Society's expenses policy. This information has been independently audited by PwC.

Non-Executive Director	2025			2024		
	Basic Fees	Committee Fees	Total	Basic Fees	Committee Fees	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Annemarie Durbin	228.5	-	228.5	220.6	-	220.6
Guy Bainbridge (stepped down from the Board on 31 December 2025)	62	58.5	120.5	58.7	40.9	99.6
Peter Bole	62	23.3	85.3	19.9	3.4	23.3
Angela Darlington	62	53.5	115.5	58.7	33.7	92.4
Debra Davies	62	43.5	105.5	58.7	29.4	88.1
Elaine Bucknor (joined the Board on 26 September 2025)	16.2	3.5	19.7	-	-	-
Dina Matta (stepped down from the Board on 22 October 2025)	51.7	8.3	60	58.7	7.1	65.8
Mark Parsons	62	62	124	58.7	19.8	78.5
Janet Pope	62	30	92	10.7	-	10.7

The following pages set out the approved Director Remuneration Policy for our Executive Directors and Non-Executive Directors. The revised policy was approved by members at the Annual General Meeting ('AGM') on 23 April 2024 with 92.31% of the votes cast being in favour of the resolution.

Remuneration Policy

Our policy is designed to apply for three years, through to the AGM in 2027. We don't expect to make payments to Directors outside of this policy unless required by regulatory change. No changes are planned for 2026.

Our Remuneration Policy can be found on our website⁵².

Deferral and Share Equivalent Instruments (SEI)

We've updated how we handle bonus deferral to reflect the latest regulatory changes from the PRA and FCA. These changes make things simpler and easier to understand, while keeping risk management front and centre.

What's changing?

Shorter deferral period

From 2025 onwards, all bonus awards for Executive Directors and Material Risk Takers (MRTs) will be deferred over **four years**. Previously, deferral could stretch to five or seven years depending on role and pay level. Regulators have confirmed that most risk events happen within four years, so this new standard is both prudent and practical.

Pro-rata vesting

Deferred awards will now vest gradually from the grant date, rather than waiting three years for the first payment in the case of seven-year deferral. This means colleagues see the value of their bonus sooner, while we still manage risk responsibly.

Simpler structure

Half of every bonus will be paid in **cash upfront**, and the other half will be deferred in **Share Equivalent Instruments (SEIs)** over the four-year period. This keeps things straightforward and gives colleagues more clarity on when and how they'll be paid.

No retention period on deferred instruments

There's no longer a mandatory retention period after vesting for deferred SEIs. This change makes the process easier to manage and simpler for colleagues to understand.

Deferral thresholds

We've also adopted new rules on how much of a bonus must be deferred:

The first **£660,000** of any bonus is subject to **40% deferral**.

Anything above that is subject to **60% deferral**. Previously, Executive Directors had to defer 60% of their entire award, so this change is a welcome simplification.

Proportionality (de minimis) threshold

- The **previous proportionality threshold of variable pay above £44,000 no longer applies**. Instead, the rule now focuses on **total remuneration and proportionality**:
- Colleagues with **total remuneration above £660,000**, or
- Where **variable pay makes up more than one-third of total remuneration**, will still be subject to deferral.

This means fewer colleagues will need to defer bonuses, but some MRTs remain in scope because of the one-third rule. For example, under the old rules, 20 out of 25 MRTs receiving a senior leader bonus in 2024 were subject to deferral. Under the new rules, that number would have been just 11.

Length of time variable pay at risk

2025 Bonus	Delivery	2026	2027	2028	2029	2030
Up-front: April	Cash					
Deferred Year 1: April	SEI					
Deferred Year 2: April	SEI					
Deferred Year 3: April	SEI					
Deferred Year 4: April	SEI					

Malus and clawback: how we manage risk across the Society

All variable pay awards for Executive Directors and MRTs are subject to malus and clawback. This means awards can be reduced or recovered in specific circumstances, such as misconduct or material risk failure, ensuring accountability and alignment with long-term member interests.

Our malus and clawback provisions apply across the whole Society and are set out in our bonus scheme rules. They can be applied to individuals or groups where there's shared responsibility.

Malus can be applied up until an award vests. Awards are subject to clawback for up to ten years, and 100% of deferred bonus is open to future performance adjustments.

The Committee may consider applying malus or clawback in situations such as:

- A material financial misstatement (not due to a change in accounting practice)
- A significant drop in personal or Society-wide performance
- A serious failure in risk management
- Conduct that causes, or could cause, reputational damage
- Negligence or misconduct
- Fraud, or knowledge of fraud

No malus or clawback was applied in the last performance year.

These provisions were first approved by The Committee in 2014 and have been in place since. They're reviewed alongside our wider Remuneration Policy to make sure they stay fit for purpose.

Remuneration scenarios in relation to the Remuneration Policy in 2025

The chart below shows how remuneration could be split between fixed pay (base salary, benefits and pension) and variable pay (bonus) for the Chief Executive and other Executive Directors.

To bring this to life, we've used data for the CEO and CFO under three different scenarios:

- **Minimum** – where performance conditions aren't met, and no variable pay is awarded.
- **Target** – where Society and personal performance measures are achieved. This would result in a variable pay award of 75% of eligible pay for the CEO and 50% for other Executive Directors.
- **Maximum** – where stretch objectives are fully met. This could result in a variable pay award of up to 125% of eligible pay for the CEO and 100% for other Executive Directors.

These scenarios help show how performance shapes reward—and how our approach stays aligned with long-term sustainability and fairness.

Appendix 1 – AGM: Statement of Member Voting

We're committed to listening to our members. And we take voting outcomes seriously. Support for our policy has remained strong over the years:

Non-Executive Director	2019	2020	2021	2022	2023	2024	2025
To approve the Directors' Remuneration report	91.86%	91.32%	92.45%	91.77%	93.15%	92.89%	93.4%
To approve the Directors' Remuneration Policy	90.95%	n/a	91.58%	n/a	n/a	92.31%	n/a

Appendix 2 - Aggregate remuneration data (Pillar 3)

For full details on the Society's full Pillar 3 disclosure, please visit www.ybs.co.uk/your-society/financial-results.

This report contains the statutory disclosures required under the Building Societies Act 1986 ('the Act') and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority ('the DTR'). It also includes details of voluntarily applied disclosure requirements, including those in respect of the UK Corporate Governance Code ('the Code'), the Companies Act 2006 and the streamlined energy and carbon reporting ('SECR') rules.

Basis of Preparation

For the 2025 financial year we have applied the principles and complied with the provisions of the UK Corporate Governance Code 2024 (available on the Financial Reporting Council's website www.frc.org.uk) as far as they apply to Building Societies (as set out in the Building Societies Association (BSA) Guidance available at www.bsa.org.uk) other than where stated in the Corporate Governance Report.



DIRECTORS' REPORT

Our directors

The names of the directors of Yorkshire Building Society ('the Society') who served during the year and up to the date of this report, their roles, previous experience and membership of board committees are described in the Our Board and Executive Team area of the Governance section. None of the directors had an interest in, or share of, any associated body of the Society at any time during the financial year. At our 2026 Annual General Meeting ('AGM') our directors will all retire and stand for election/re-election.

Our strategy, future developments and Key Performance Indicators ('KPIs')

Information on the strategy of Yorkshire Building Society and its controlled entities ('the Group') can be found in the Our Purpose and strategy section of the Strategic Report. Details of future developments are included in the Looking ahead section of the Introduction from the Chief Executive and KPIs are set out in the Performance at a glance section.

Details of our corporate governance practices are included in our Corporate Governance report.

How we manage risks

Our business activity exposes the Group to a variety of risks, including retail and commercial credit, treasury, funding and liquidity, market, operational, model, capital, and compliance and conduct risk. We seek to manage all the risks that arise from our business activities and we have a number of committees and policies in place to do so.

Details of these risks are included in the Risk overview section of the Strategic Report and the Risk management report.

Our mortgage arrears

Details of the mortgage accounts that were 12 months or more in arrears at 31 December are as follows:

	2025	2024	2025	2024
			% of mortgage account/balances	
Number of accounts	301	249	0.11%	0.09%
Balances outstanding on accounts	£51.7m	£33.8m	0.10%	0.07%
Amount of arrears included in balances	£6.7m	£4.7m	0.01%	0.01%

Further details of the arrears position are set out in the Our Financial Review section of the Strategic Report.

Note 31 to the financial statements also details the various forms of support offered to borrowers experiencing difficulties in meeting their repayments.

Our charitable and political donations

Charitable donations made by the Group during the year were £1.5m (2024: £1.3m), more details and further information on fundraising by our colleagues, members and customers can be found in the Our Social and Environmental Impact: Communities section in the Strategic Report. No political donations were made in the year (2024: nil).

Governance > **Directors' Report**

Our colleagues

We continue to listen and respond to our colleagues' needs. It is important that all our colleagues feel connected to the Society and can contribute to our success. To achieve this, we communicate business information to our colleagues across our organisation in an appropriate and timely way. We recognise that employing people from different backgrounds and with a range of experience enhances the way in which we work. We are building a diverse workforce and we make workplace adjustments wherever we possibly can to provide an inclusive working environment for all colleagues. See the Stakeholder engagement section of the Corporate Governance Report for more details.

Our responsibilities in respect of Accounting Records and Internal Control

We are responsible for ensuring that the Society:

- keeps accounting records in accordance with the Building Societies Act 1986 ('the Act'); and
- takes reasonable care to establish, maintain, document and review such systems and control as are appropriate to its business in accordance with the rules made by the Prudential Regulation Authority under the Financial Services Act 2012.

We have a general responsibility for the safeguarding of the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The following statement, which should be read in conjunction with the Auditors' responsibilities for the audit of the financial statements in the Independent auditors' report to the members of Yorkshire Building Society, is made by the directors to explain their responsibilities in relation to the preparation of the financial statements.

We are required by the Act to prepare financial statements, for both the Society and the Group, that give a true and fair view of the income and expenditure for the financial year, and the state of affairs at the end of each financial year in accordance with UK-adopted International accounting standards. We are also required to provide details of directors' remuneration in accordance with part VIII of the Act and regulations made under it.

As per the Act, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Society and of the profit or loss of the Group and Society in that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable;
- state whether the financial statements have been prepared in accordance with International Accounting Standards; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for safeguarding the assets of the Group and Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Society's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Society and enable them to ensure that the financial statements comply with the Building Societies Act 1986.

The disclosure and transparency rules of the Financial Conduct Authority ('the DTR') require an annual financial report to include:

- audited financial statements for both the Society and Group;
- a management report that includes a fair review of the business and a description of the principal risks and uncertainties (see the Strategic Report and the Risk Management Report); and
- responsibility statements (see Responsibility Statements on page 130).

We are responsible for the maintenance and integrity of statutory and audited information on the Society's website. Information published on the internet is accessible in many countries with different legal requirements. Laws in the United Kingdom governing the preparation and communication of financial statements may be different from laws in other jurisdictions.

Annual Business Statement

The Act also requires the directors to prepare, for each financial year, an annual business statement containing prescribed information relating to the business of the Group. See pages 228 to 229 for the 2025 Annual Business Statement.

Non-financial and sustainability information statement

Please see the Responsible Business Foundations section in the Strategic Report for disclosure of our non-financial sustainability statement.

Directors' duties

Section 172 of the Companies Act 2006 ('s172') describes the duties of company directors in respect of promoting the business and considering other stakeholders. This does not apply to the Society's Directors as we are a building society not a company, but the Code expects boards to report on how they have considered the matters set out in s172 in decision making. The table below summarises the s172 requirements and cross references to where this consideration is covered in other sections of this document.

Summary of s172 Requirements	Yorkshire Building Society Board	Relevant Disclosure
<p>A director must act in a way they consider, in good faith, would most likely promote the success of the business for the benefit of its members as a whole (i.e. the company's shareholders) and in doing so have regard (amongst other matters) to the:</p>	<p>As a mutual the Society does not have external shareholders, we are owned by our members. The Board is committed to promoting the long-term success of the Society for the benefit of our current and future members. Building on our Purpose to provide Real Help with Real Life Our Strategy underpins our commitment to the success of the business for our members both now and in the future.</p>	<p>Strategic Report - Our Business Model</p> <p>Strategic Report - Our Strategy</p> <p>Strategic Report - Our Purpose and Strategy</p>
<ul style="list-style-type: none"> likely consequences of any decision in the long term 	<p>Our Board recognises the importance of ensuring the likely consequences of decisions in the long term are considered which is reflected in Our Strategy, built around our Purpose of providing Real Help with Real Life.</p>	<p>Strategic Report - Our Business Model</p> <p>Strategic Report - Our Strategy</p> <p>Strategic Report - Our Purpose and Strategy</p>
<ul style="list-style-type: none"> interests of employees 	<p>The Board understands that our people are the foundation of our business and recognises the importance of ensuring that their voice is heard in the board room. Each paper considered by the Board sets out the implications for our employees and, where relevant, how they have been consulted on the proposals. The Board also has a Non-Executive Director for Workforce Engagement.</p> <p>The Board has also put in place a framework to ensure colleague views inform its decision.</p>	<p>Strategic Report - Our Social and Environmental Impact – Colleagues</p> <p>Corporate Governance Report – Stakeholder engagement</p>
<ul style="list-style-type: none"> need to foster business relationships with suppliers, customers and others 	<p>The Society's Board is committed to fostering and monitoring the effectiveness of our wider business relationships with all our key stakeholders. This was reflected in the shaping of Our Strategy, which was supported through detailed stakeholder engagement exercises.</p>	<p>Corporate Governance Report - Stakeholder engagement</p>

Summary of s172 Requirements	Yorkshire Building Society Board	Relevant Disclosure
<ul style="list-style-type: none"> impact of the business's operations on the community and the environment 	<p>The environment, social and governance impact of the Society underpins Our Strategy and each paper considered by the Board sets out any social or environmental implications of a decision ensuring that the Board has regard to the impact of these as part of its overall approach to promoting the success of the Society.</p>	<p>Strategic Report - Our Social and Environmental Impact – Communities</p> <p>Strategic Report - Our Social and Environmental Impact – Climate</p>
<ul style="list-style-type: none"> desirability of maintaining a reputation for high standards of business conduct 	<p>The Board's commitment to maintaining high standards of business conduct helps to ensure the long-term success of the Society for our current and future members, customers, colleagues and all other stakeholders. The Society's behaviours help drive the culture and supports the delivery of Our Strategy.</p>	<p>Strategic Report - Our Business Model</p> <p>Strategic Report - Our Strategy</p> <p>Strategic Report - Our Purpose in Action</p>
<ul style="list-style-type: none"> need to act fairly as between members (i.e. the company's shareholders) 	<p>The Society does not have external shareholders, instead our members are our owners and at the heart of what we do. The Board understands the importance of engaging with our members and is committed to ensuring their views inform future decision making to ensure it is fair and in the interests of our membership as a whole.</p>	<p>Strategic Report - Our Purpose in Action</p> <p>Strategic Report - Our Social and Environmental Impact – Customers & members</p> <p>Corporate Governance Report - Stakeholder engagement</p>

Streamlined Energy and Carbon Reporting ('SECR')

In 2025, the Society has chosen to relocate the SECR to join its Taskforce for Climate-related Financial Disclosure ('TCFD') report, located in the Strategic Report.

This allows the Society's total climate-related reporting to be found in one location and reflects the strategic importance granted to climate reporting by the Society.

Going concern

The directors confirm that they consider that the Group and the Society has adequate resources to continue in existence for at least 12 months from the date of approval of this report. This confirmation is made after having reviewed assumptions about future trading performance, liquidity requirements, capital requirements and organisational sustainability. The directors also considered potential risks and uncertainties in the business, credit, market and liquidity risks, including the availability and repayment profile of funding facilities.

Details of how the Board monitor longer term risks are included in the Risk Management Report in the Governance section.

Based on the above, together with available market information and the directors' knowledge and experience of the business and our markets, the directors continue to adopt the going concern basis in preparing the Annual Report and Accounts for the year ended 31 December 2025.

Viability

The UK Corporate Governance Code ('the Code'), which the Society adopts to the extent that it applies to a Building Society, requires the directors to assess the prospects and ongoing viability of the Group over a longer period than the 12 months required for the going concern assessment.

For the purposes of assessing longer term viability, the directors have determined three years to be the most appropriate period as this covers the typical term of most of our fixed-rate products and is the longest period over which the directors consider that they can form a reasonably firm view over the macroeconomic environment and associated key drivers of business performance. The directors have therefore assessed the viability of the Group and the Society over the three years to December 2028, taking account of the current position and the potential impact of the risks documented in the Strategic Report and the Risk Management Report.

Our financial planning process consists of a budget for the next financial year and a corporate plan for the following additional four financial years. The one-year budget has a greater level of certainty and is used to set near-term targets. The five-year corporate plan is less certain than the budget, but provides a longer term outlook against which strategic decisions can be made.

The financial planning process forecasts the Group's profitability, capital position, liquidity and other key financial metrics over the period, including regulatory measures such as MREL (Minimum Requirement for Eligible Liabilities). These metrics are subject to sensitivity analysis through the annual Group ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment) processes. The Group stresses its capital and liquidity plans, under 'severe but plausible' stress test scenarios, in line with PRA requirements.

The ICAAP stress test ensures that the plan projections for capital requirements and capital generation are resilient to stresses should the environment deteriorate beyond the levels currently envisaged. The Group maintains capital buffers that are sufficient to absorb the level of capital erosion in the stress scenario over and above its minimum capital requirement, ensuring that the Group can continue to meet its minimum capital requirements throughout a 'severe but plausible' stress. The ILAAP stress test ensures that the Group holds adequate liquid assets in terms of both quality and quantity sufficient to meet both its business-as-usual liquidity needs and increased requirements that could occur as a result of the Group entering into a period of stress. Planned liquidity levels meet the Group's key risk appetite measures over a period of three years.

The Board has undertaken a robust assessment of the principal risks and uncertainties that could threaten the business model, future performance, solvency or liquidity of the Group and the Society. Based on this assessment, the directors have a reasonable expectation that the Group and the Society will be able to continue in operation and meet its liabilities as they fall due over the period to December 2028.

Responsibility statements

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the directors confirm that, to the best of their knowledge:

- The financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Society and the Group; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Society and the Group, and the Strategic Report and the Risk Management Report contain a description of the principal risks and uncertainties.

Fair, balanced and understandable

As required by the UK Corporate Governance Code, which the Group adopts to the extent that it applies to a Building Society, the directors are satisfied that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess our performance, business model and strategy.

External auditor

The reappointment of PricewaterhouseCoopers LLP as the Group's external auditor is to be proposed at the 2026 AGM. The directors in office at the date of this report confirm that, so far as they are aware, there is no relevant audit information of which the external auditor is unaware. Each director has taken all the steps necessary in order to make themselves aware of any relevant audit information and to establish that the external auditors are also aware of that information.

Annemarie Durbin
Chair of the Board

25 February 2026

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YORKSHIRE BUILDING SOCIETY

Report on the audit of the financial statements

Opinion

In our opinion, Yorkshire Building Society's group financial statements and Society's financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 December 2025 and of the Group's and Society's income and expenditure and the Group's and the Society's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise:

- the Group and Society Balance Sheets as at 31 December 2025;
- the Group and Society Income Statements, the Group and Society Statements of Comprehensive Income, the Group and Society Statements of Cash Flows and the Group and Society Statements of Changes in Members' Interest and Equity for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Certain notes to the financial statements have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as '(Audited)'. The relevant disclosures are included in the financial performance section and the Directors' remuneration report disclosures.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

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

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 6, we have provided no non-audit services to the society or its controlled undertakings in the period under audit.



Our audit approach

Overview

Audit scope

The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the significance of components and other qualitative factors.

We performed audit procedures over components considered to be significant in the context of the Group or in the context of individual primary statement account balance.

Key audit matters

- Expected credit losses for loans and advances to customers (Group and Society)
- Valuation of the funded defined benefit pension obligation (Group and Society)

Materiality

- Overall Group materiality: £21.4m (2024: £17.4m) based on 5% of the current year profit before tax adjusted to exclude net gains and losses arising from financial instruments held at fair value.
- Overall Society materiality: £20.0m (2024: £14.0m) based on 5% of the current year profit before tax adjusted to exclude net gains and losses arising from financial instruments held at fair value.
- Performance materiality: £16.0m (2024: £13.1m) (Group) and £15.0m (2024: £10.5m) (Society).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Expected credit losses for loans and advances to customers (Group and Society)</p> <p>Determining expected credit losses ("ECL") is inherently judgemental and involves making various assumptions. This can give rise to increased estimation uncertainty.</p> <p>ECL is calculated using historical default and loss experience but requires judgement to be applied in predicting future economic conditions, e.g. house prices, and customer behaviour.</p> <p>Modelling methodologies are used to estimate ECL. Our audit focused on the significant assumptions for which variations had the most material impact on ECL.</p> <p>We consider forward looking economic assumptions, specifically HPI and unemployment in base and downside scenarios, and the weighting assigned to these scenarios to be significant in determination of ECL for residential mortgages.</p> <p>Refer to relevant disclosures in Note 31: Credit risk on loans and advances to customers, Note 1: Material accounting policies, and Note 2: Critical accounting judgements and key sources of estimation uncertainty.</p>	<p>We engaged our credit risk modelling specialists and economic experts to critically assess the appropriateness of the ECL.</p> <p>Forward looking economic scenarios and assigned weightings.</p> <p>We assessed the reasonableness of the forward looking economic scenarios and weightings assigned to them, and benchmarked them against market consensus data. The severity of the scenarios was evaluated with reference to external forecasts, including data from historical economic downturns.</p> <p>We evaluated the assigned weightings, using our economic analysis tool, which assesses the reasonableness of the scenarios and weights, giving specific consideration to observed historical losses and the current economic environment.</p> <p>Model methodology and implementation.</p> <p>We critically assessed the appropriateness of the methodology used in the in-scope impairment models and evaluated compliance with IFRS 9 requirements.</p> <p>We evaluated the methodology, appropriateness and implementation of model changes. We assessed and tested the accuracy of the results of model monitoring performed by management.</p> <p>We validated that the in-scope models were implemented in line with the methodology through a combination of independent model replication and code reviews.</p> <p>We tested the disclosures in respect of ECL that they were compliant with accounting standards.</p>
<p>Valuation of the funded defined benefit pension obligation (Group and Society)</p> <p>The Group and Society operate a funded defined benefit pension scheme. The valuation of the funded defined benefit obligation is dependent on a number of actuarial assumptions. We consider the discount rate, inflation rate and mortality rates to be the most significant assumptions used in the valuation.</p> <p>Management uses an actuarial expert to determine the valuation of the defined benefit obligation. The valuation methodology uses a number of market-based inputs and other financial and demographic assumptions.</p> <p>Changes in these assumptions can have a material impact on the valuation due to the long duration of the pension liabilities and as such the valuation is considered to be highly judgemental.</p> <p>Refer to relevant disclosures in Note 17: Retirement benefit obligations, Note 1: Material accounting policies, and Note 2: Critical accounting judgements and key sources of estimation uncertainty.</p>	<p>We evaluated the independence, objectivity and competence of the third party actuary engaged by management. We reviewed the actuary's report and obtained an understanding of the methodology used and assumptions set in calculating the defined benefit obligation.</p> <p>We assessed the appropriateness of the methodology used. We engaged our actuarial experts to understand the judgements made by management and the third party actuary in determining the significant assumptions.</p> <p>We independently assessed, using our actuarial experts, the reasonableness of the significant assumptions, specifically the discount rate, inflation rate and mortality rates, by comparing these assumptions to our independently compiled acceptable ranges based on external market data.</p> <p>We evaluated and tested the disclosures made in the Annual Report in relation to the defined benefit pension obligation.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Society the accounting processes and controls, and the industry in which they operate.

The Group comprises the Society, its wholly owned subsidiaries and special purpose vehicles over which, under accounting standards, the Society has control. Each entity is located in the UK and is considered to be a financial reporting component.

In establishing the overall approach to our audit of the financial statements, we determined the type of work that was required to be performed over each component. The Society and Accord Mortgages Limited were considered significant due to risk and size in the context of the Group's consolidated financial statements and therefore we performed a full scope audit of the component financial information. Yorkshire Building Society Covered Bonds LLP, Brass No.10 PLC, Brass No. 11 PLC, Tombac No. 3 PLC and White Rose Master Issuer PLC were considered non-significant components in the context of the Group's consolidated financial statements with further audit procedures being performed over certain balances.

All remaining components were identified as inconsequential and no further audit procedures performed.

All audit work was performed by the same engagement team.

The impact of climate risk on our audit

In considering the impact of climate risk on our audit, we:

- Made enquiries of management to understand the extent of the potential impact of climate risk on the Group's financial statements and we remained alert when performing our audit procedures for any indicators of the impact of climate risk;
- Considered the exposure of the mortgage portfolio to physical and transition risks by examining the output of assessments performed by management. Management does not consider the impact of climate risk to have a material impact on the financial statements; and
- Considered the consistency of the disclosures in relation to climate change within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact as a result of climate risk on the Group's and Society's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	Financial statements - Society
Overall materiality	£21.4m (2024: £17.4m).	£20.0m (2024: £15.0m).
How we determined it	5% of the current year profit before tax adjusted to exclude net gains and losses arising from financial instruments held at fair value.	5% of the current year profit before tax adjusted to exclude net gains and losses arising from financial instruments held at fair value.
Rationale for benchmark applied	Profit before tax (Group and Society) is a primary measure used by stakeholders in assessing the performance and is a generally accepted benchmark for determining audit materiality. Management assesses the performance of the business using the "Core Operating Profit" measure, which itself excludes net gains and losses on financial instruments held at fair value through the income statement, as these are not considered to reflect the underlying performance of the business. The fair value movement relates predominantly to derivatives which are not yet in accounting hedging relationships, rather than underlying business performance.	

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £10.3m to £20.0m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £16.0m (2024: £13.1m) for the Group financial statements and £15.0m (2024: £10.5m) for the Society financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.1m (Group audit) (2024: £0.9m) and £1.0m (Society audit) (2024: £0.7m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Society's ability to continue to adopt the going concern basis of accounting included:

- performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the current and forecast financial performance;
- understanding and evaluating management's going concern assessment, including consideration of the impact of current economic environment;
- understanding and evaluating management's forecasts and the stress testing of liquidity and regulatory capital performed by management;
- evaluating management's ability to accurately forecast financial performance by comparing budgeted financial information with historical actual results;
- reviewing regulatory correspondence; and
- reading and evaluating the appropriateness of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Society's ability to continue as a going concern.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Annual Business Statement and Directors' Report, we also considered whether the disclosures required by the Building Societies Act 1986 have been included.

Based on our work undertaken in the course of the audit, the Building Societies Act 1986 requires us also to report certain opinions and matters as described below.

Annual Business Statement and Directors' Report

In our opinion, based on the work undertaken in the course of the audit:

- the Annual Business Statement and the Directors' Report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- the information given in the Directors' Report for the year ended 31 December 2025 is consistent with the accounting records and the financial statements; and
- the information given in the Annual Business Statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

In light of the knowledge and understanding of the Group and Society and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Society's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by the auditor. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Society's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Society's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Society will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Society was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Society and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Society's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Society's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities in respect of the preparation of the Annual Report, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and 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 have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority's ('FCA') regulations, the Prudential Regulation Authority's ('PRA') regulations and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Building Societies Act 1986. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to the posting of inappropriate journal entries that could be used to manipulate financial performance and the potential for management bias in accounting estimates.

Audit procedures performed by the engagement team included:

- Enquiries of management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations;
- Review of internal audit findings throughout the year, in so far as these related to the financial statements;
- Review of correspondence with the PRA, FCA and HMRC;
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed;

Governance > Independent auditors' report to the members of Yorkshire Building Society

- Challenging estimates and judgements made by management in forming significant accounting estimates in particular those relevant to the key audit matters below; and
- Identifying and testing journals entries, in particular journal entries posted with unusual account combinations indicating a higher level of risk.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Society's members as a body in accordance with Section 78 of the Building Societies Act 1986 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Building Societies Act 1986 exception reporting

Under the Building Societies Act 1986 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Society; or
- the Society financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the Society for the financial year ended 31 December 2019. Our uninterrupted engagement covers seven financial years.

Other matter

The Society is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Michael Whyte (Senior Statutory Auditor)

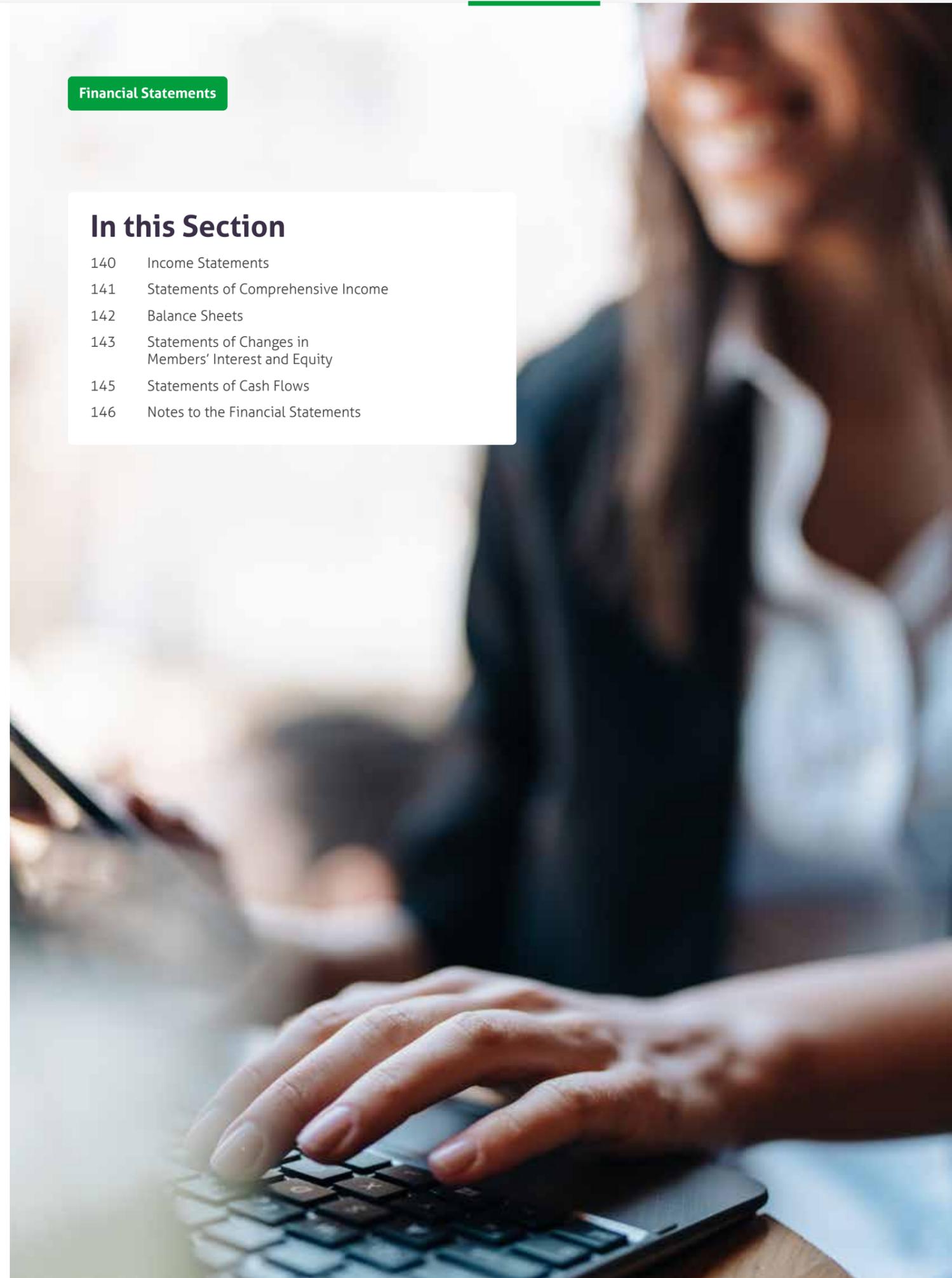
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

25 February 2026

Financial Statements

In this Section

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Income Statements

For the year ended 31 December 2025

	Notes	Group		Society	
		2025 £m	2024 £m	2025 £m	2024 £m
Interest revenue calculated using the effective interest rate method	3	2,672.8	2,496.5	3,205.8	3,400.9
Other interest revenue	3	505.3	879.9	505.3	879.8
Interest revenue	3	3,178.1	3,376.4	3,711.1	4,280.7
Interest expense	4	(2,308.3)	(2,639.9)	(3,083.5)	(3,798.1)
Net interest income		869.8	736.5	627.6	482.6
Fee and commission revenue		12.1	16.9	3.3	7.0
Fee and commission expense		(36.7)	(38.8)	(29.1)	(30.4)
Net fee and fee commission expense		(24.6)	(21.9)	(25.8)	(23.4)
Net (losses)/gains from financial instruments held at fair value	5	(50.3)	36.2	(54.2)	44.4
Income from investments	8	–	–	78.0	75.0
Net realised gains on disposal of financial instruments		0.7	0.2	0.7	0.2
Other operating (expense)/income		(1.6)	0.8	126.4	111.5
Total income		794.0	751.8	752.7	690.3
Administrative expenses	6	(387.8)	(343.1)	(387.5)	(343.0)
Depreciation and amortisation	13 14 15	(19.8)	(23.5)	(19.8)	(23.5)
Impairment (charge)/release of financial assets	7	(8.5)	(0.2)	2.3	2.0
Provisions for liabilities and charges	23	–	(1.3)	–	(1.3)
Profit before tax		377.9	383.7	347.7	324.5
Tax expense	9	(102.4)	(102.0)	(77.7)	(67.6)
Profit for the year		275.5	281.7	270.0	256.9

All profit for the year arises from continuing operations and is attributable to members.

The notes on pages 146 to 226 form part of these financial statements.

Statements of Comprehensive Income

For the year ended 31 December 2025

	Notes	Group		Society	
		2025 £m	2024 £m	2025 £m	2024 £m
Profit for the financial year		275.5	281.7	270.0	256.9
Items that may be subsequently reclassified through profit or loss					
Cash flow hedges:					
Fair value movements taken to equity	26	(16.7)	5.7	(16.7)	5.7
Amounts transferred to the income statement	26	2.8	3.5	2.8	3.5
Tax on amounts recognised in equity	9	3.9	(2.6)	3.9	(2.6)
Effect of change in corporation tax rate	9	–	–	–	–
Financial assets measured through other comprehensive income:					
Fair value movements taken to equity		3.5	(13.8)	3.5	(13.8)
Amounts transferred to the income statement		3.2	1.2	3.2	1.2
Tax on amounts recognised in equity	9	(1.9)	3.5	(1.9)	3.5
Items that will not be reclassified through profit or loss					
Remeasurement of retirement benefit obligations	17	(5.2)	(4.2)	(5.2)	(4.2)
Tax on remeasurement of retirement benefit obligations	9	1.5	1.2	1.5	1.2
Effect of change in corporation tax rate	9	–	–	–	–
Total other comprehensive expense		(8.9)	(5.5)	(8.9)	(5.5)
Total comprehensive income for the year		266.6	276.2	261.1	251.4

The notes on pages 146 to 226 form part of these financial statements.

Balance Sheets

As at 31 December 2025

	Notes	Group		Society	
		2025 £m	2024 £m	2025 £m	2024 £m
Assets					
Cash and balances with the Bank of England	10	6,043.6	5,609.7	6,043.6	5,609.7
Loans and advances to credit institutions		363.7	590.0	366.5	433.9
Debt securities	11	7,136.9	8,421.3	15,639.7	18,989.0
Loans and advances to customers	12	51,893.8	49,705.5	10,303.7	10,571.6
Fair value adjustment for hedged risk on loans and advances to customers		22.1	(454.7)	22.1	(454.7)
Derivative financial instruments	26	678.9	1,466.9	635.0	1,466.0
Investments	8	0.8	1.6	43,630.4	41,433.0
Intangible assets	13	15.0	16.1	15.0	16.1
Investment property	14	11.9	11.1	11.9	11.1
Property held for sale		1.4	0.8	1.4	0.8
Property, plant and equipment	15	89.7	101.4	89.7	101.4
Retirement benefit surplus	17	28.2	33.0	28.2	33.0
Current tax assets		5.7	5.3	5.7	5.3
Other assets	18	38.6	36.4	123.5	109.2
Total assets		66,330.3	65,544.4	76,916.4	78,325.4
Liabilities					
Shares	19	52,913.7	52,044.4	52,913.7	52,044.4
Fair value adjustment for hedged risk on shares		27.3	1.0	27.3	1.0
Amounts owed to credit institutions		336.9	1,168.9	336.9	1,168.9
Other deposits	20	1,508.7	1,196.8	12,278.1	14,039.4
Debt securities in issue	21	5,425.2	5,019.3	5,689.6	5,454.0
Derivative financial instruments	26	286.0	555.8	222.9	429.6
Current tax liabilities		-	0.2	-	0.2
Deferred tax liabilities	16	22.7	43.2	21.8	42.1
Other liabilities	22	86.2	75.2	105.5	103.7
Retirement benefit obligations	17	7.5	7.4	7.5	7.4
Provisions for liabilities and charges	23	2.4	4.2	2.4	4.2
Subordinated liabilities	24	1,472.4	1,453.3	1,472.4	1,453.3
Total liabilities		62,089.0	61,569.7	73,078.1	74,748.2
Members' interests and equity		4,241.3	3,974.7	3,838.3	3,577.2
Total members' interest, equity and liabilities		66,330.3	65,544.4	76,916.4	78,325.4

The notes on pages 146 to 226 form part of these financial statements.

Approved by the Board of Directors on 25 February 2026 and signed on its behalf by:

Tom Ranger
Chief Financial Officer

Statements of Changes in Members' Interest and Equity

For the year ended 31 December 2025

Group	General reserve	Cash flow hedge reserve	Fair value through other comprehensive income	Total
	£m	£m	£m	£m
At 1 January 2025	3,987.0	7.0	(19.3)	3,974.7
Profit for the year	275.5	-	-	275.5
Net remeasurement of retirement benefit obligations	(3.7)	-	-	(3.7)
Net movement in cash flow hedges	-	(10.0)	-	(10.0)
Net movement in fair value through other comprehensive income	-	-	4.8	4.8
Total comprehensive income	271.8	(10.0)	4.8	266.6
At 31 December 2025	4,258.8	(3.0)	(14.5)	4,241.3

Group	General reserve	Cash flow hedge reserve	Fair value through other comprehensive income	Total
	£m	£m	£m	£m
At 1 January 2024	3,708.3	0.4	(10.2)	3,698.5
Profit for the year	281.7	-	-	281.7
Net remeasurement of retirement benefit obligations	(3.0)	-	-	(3.0)
Net movement in cash flow hedges	-	6.6	-	6.6
Net movement in fair value through other comprehensive income	-	-	(9.1)	(9.1)
Total comprehensive income	278.7	6.6	(9.1)	276.2
At 31 December 2024	3,987.0	7.0	(19.3)	3,974.7

The notes on pages 146 to 226 form part of these financial statements.

Statements of Changes in Members' Interest and Equity (continued)

For the year ended 31 December 2025

Society	General reserve	Cash flow hedge reserve	Fair value through other comprehensive income	Total
	£m	£m	£m	£m
At 1 January 2025	3,589.5	7.0	(19.3)	3,577.2
Profit for the year	270.0	–	–	270.0
Net remeasurement of retirement benefit obligations	(3.7)	–	–	(3.7)
Net movement in cash flow hedges	–	(10.0)	–	(10.0)
Net movement in fair value through other comprehensive income	–	–	4.8	4.8
Total comprehensive income	266.3	(10.0)	4.8	261.1
At 31 December 2025	3,855.8	(3.0)	(14.5)	3,838.3

Society	General reserve	Cash flow hedge reserve	Fair value through other comprehensive income	Total
	£m	£m	£m	£m
At 1 January 2024	3,335.6	0.4	(10.2)	3,325.8
Profit for the year	256.9	–	–	256.9
Net remeasurement of retirement benefit obligations	(3.0)	–	–	(3.0)
Net movement in cash flow hedges	–	6.6	–	6.6
Net movement in fair value through other comprehensive income	–	–	(9.1)	(9.1)
Total comprehensive income	253.9	6.6	(9.1)	251.4
At 31 December 2024	3,589.5	7.0	(19.3)	3,577.2

The notes on pages 146 to 226 form part of these financial statements.

Statements of Cash Flows

For the year ended 31 December 2025

Notes	Group		Society	
	2025 £m	2024 £m	2025 £m	2024 £m
Cash flows from operating activities				
Profit before tax	377.9	383.7	347.7	324.5
Non-cash or non-operating items included in profit before tax	150.1	77.6	139.3	75.4
Net change in operating assets	(1,904.3)	(2,577.3)	(1,604.6)	(2,709.5)
Net change in operating liabilities	294.7	4,334.5	(1,742.1)	3,416.0
Tax paid	(120.0)	(80.6)	(95.1)	(45.9)
Net cash flow from operating activities	(1,201.6)	2,137.9	(2,954.8)	1,060.5
Cash flows from investing activities				
Purchase of property, plant and equipment, and intangible assets	(10.5)	(18.3)	(10.5)	(18.3)
Proceeds from sale of property, plant and equipment	0.4	–	0.4	–
Purchase of debt securities	(3,345.9)	(3,769.4)	(4,376.7)	(4,734.3)
Redemption and other movements of debt securities	4,637.7	2,897.6	7,733.4	5,087.3
Net cash flow from investing activities	1,281.7	(890.1)	3,346.6	334.7
Cash flows from financing activities				
Redemption of debt securities in issue	(666.7)	(1,429.4)	(469.5)	(1,194.1)
Issue of debt securities	892.7	1,543.6	542.7	1,193.6
Redemption of subordinated liabilities	(25.6)	(142.6)	(25.6)	(142.6)
Interest paid on subordinated liabilities	(70.6)	(76.7)	(70.6)	(76.7)
Interest paid on lease liabilities	(0.5)	(0.5)	(0.5)	(0.5)
Capital repayments on lease liabilities	(1.8)	(2.5)	(1.8)	(2.5)
Net cash flow from financing activities	127.5	(108.1)	(25.3)	(222.8)
Net change in cash and cash equivalents	207.6	1,139.7	366.5	1,172.4
Opening balance	6,199.7	5,060.0	6,043.6	4,871.2
Closing cash and cash equivalents	6,407.3	6,199.7	6,410.1	6,043.6
Cash and cash equivalents				
Cash and cash equivalents	10	6,043.6	5,609.7	6,043.6
Loans and advances to credit institutions		363.7	590.0	366.5
Closing cash and cash equivalents		6,407.3	6,199.7	6,410.1

The notes on pages 146 to 226 form part of these financial statements.

Net cash flows from operating activities of the Group include interest received of £3,250.2 million (2024: £3,371.3 million) and interest paid of £1,179.4 million (2024: £2,348.1 million). Net cash flows from operating activities of the Society include interest received of £3,619.6 million (2024: £4,264.4 million) and interest paid of £1,123.3 million (2024: £3,506.3 million).

Notes to the Financial Statements

1. Statement of accounting policies

Basis of preparation

These financial statements present the results of Yorkshire Building Society ('YBS' or 'the Society') and its controlled entities (collectively 'the Group' or 'the YBS Group') for the year ended 31 December 2025.

The Group is required under the *Building Societies Act 1986* to apply 'UK-adopted international accounting standards' as endorsed by the UK Endorsement Board ('UKEB'). As a result, these financial statements have been prepared in accordance with international accounting standards – being International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the International Accounting Standards Board (IASB) endorsed by the UKEB and effective from 1 January 2021 – and with those parts of the *Building Societies Act 1986* and the *Building Societies (Accounts and Related Provisions) Regulations 1998* applicable to societies reporting under international accounting standards.

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial instruments measured at fair value. Pounds sterling (£) is the presentational currency of the YBS Group and the functional and presentational currency of Yorkshire Building Society. Except where otherwise stated, all figures in the financial statements are rounded to the nearest hundreds of thousands of pounds sterling (£0.0 million).

Accounting policies have been consistently applied, except where a new accounting standard has been introduced.

The preparation of financial statements under international accounting standards requires the use of certain critical accounting estimates and judgements. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements are set out in Note 2.

Going concern

The YBS Board of Directors (the Board) undertake regular assessments of whether the Group is a going concern, taking into account changing economic and market conditions, and using all available information about future risks and uncertainties.

Given its strong capital position and high liquidity levels, the Group is well placed to cope with economic volatility. As a result, the directors confirm that, based on the latest formal review undertaken in February 2026, and stress tests performed throughout the period, they consider the Group has adequate resources to continue in existence for at least 12 months from the date of approval of this report. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Society and the entities it controls as listed in Note 8. Control is deemed to exist when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Upon consolidation, intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated. Investments in controlled entities are stated in the Society accounts at cost less any provisions for impairment.

Securitisation transactions

The Group securitises mortgage loans by transferring them into special purpose vehicles (SPVs) and issuing debt securities to investors, using the underlying loan assets as collateral. As the Society is deemed to control these SPVs, they are fully consolidated into these financial statements.

Generally, the transfer of the mortgage loans to the structured entities does not meet the derecognition criteria under IFRS 9 *Financial Instruments* as the Society/Accord Mortgages Limited (Accord) substantially retains all the risks and rewards of ownership through the receipt of the residual profits or losses of the SPVs. In this instance, the Society/Accord continues to recognise the mortgage loans on their own balance sheets after the transfer, with the proceeds received from the transfer accounted for as a deemed loan from the SPVs. For covered bonds, the Society issues the covered bonds, not the structured entity. The proceeds are then lent to the structured entity on the same terms as the covered bond issuance. These proceeds are used as consideration for the loans transferred from the Society. Neither the loan to the structured entity nor the consideration for the transfer of mortgage loans is recognised separately as an additional asset and liability in the accounts of the Society.

To manage interest rate risk, the Society enters into derivative transactions with its structured entities, receiving a rate of interest based on the securitised mortgages and paying a rate inherent in the debt issuances. These internal derivatives are treated as part of the deemed loan and not separately measured at fair value because the relevant mortgage loans are not derecognised.

Accounting developments

Changes to accounting standards effective in the period

There have been a number of amendments made to existing accounting standards that are effective for the reporting period commencing 1 January 2025:

IAS 21 – The Effects of Changes in Foreign Exchange Rates

IAS 21 – *The Effects of Changes in Foreign Exchange Rates* received amendments to address circumstances in which a currency lacks long-term exchangeability. The amendments provide explicit guidance on how to determine whether a currency is exchangeable and, when it is not, how to estimate an appropriate spot exchange rate. The Group does not engage in transactions involving currencies that lack exchangeability, and therefore these amendments have no impact on the Group's reporting.

Standards issued but not yet effective

The following standards or amendments were in issue but were either optional, or not yet effective, and have not been adopted in these financial statements.

IFRS 9 and Hedge Accounting

IFRS 9 *Financial Instruments* was issued in 2014 as a replacement of IAS 39 *Financial Instruments: Recognition and Measurement* and was mandatorily effective for periods beginning on or after 1 January 2018.

However, IFRS 9 did not replace the requirements for portfolio fair value hedge accounting for interest rate risk since this phase of the project was separated out due to its longer-term nature.

As a result, IFRS 9 included a transitional relief allowing the continued use of the hedge accounting requirements of IAS 39, and the Group continue to adopt this approach.

The development of requirements will be closely monitored and the Group will continue to assess the impacts of full adoption of IFRS 9 for hedge accounting.

Amendments to IFRS 7 and IFRS 9 – Classification and Measurement of Financial Instruments

The Classification and Measurement of Financial Instruments amendments were made to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* in May 2024 and will become effective for annual reporting periods beginning on or after 1 January 2026. These amendments:

- clarify when some financial assets and liabilities can be recognised and derecognised, with a new exception for certain financial liabilities that are settled through an electronic cash transfer system;
- provide clarification and additional guidance on assessing whether a financial asset satisfies the sole payments of principal and interest (SPPI) criterion;
- introduce new disclosure requirements for instruments with contractual terms that can change cash flows; and
- revise the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Group do not expect these amendments to have an impact on its operations or financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 *Subsidiaries without Public Accountability: Disclosures* was issued in May 2024 and will become effective for annual reporting periods beginning on or after 1 January 2027. The standard allows eligible subsidiaries to replace the disclosure requirements of other IFRS Accounting standards with reduced disclosure requirements. The Group do not expect these amendments to have an impact on its operations or financial statements given that the subsidiaries do not meet the requirements set out in IFRS 19.

1. Statement of accounting policies (continued)

Accounting developments (continued)

Standards issued but not yet effective (continued)

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements* was issued in April 2024 and will become effective for annual reporting periods beginning on or after 1 January 2027, replacing IAS 1 *Presentation of Financial Statements*. The Group is assessing the impact of the new standard, with key areas of focus including:

- Statement of profit or loss.

IFRS 18 introduces new categories and subtotals. IFRS 18 requires entities to assess whether their main business activities include investing in assets and/or providing financing to customers. For entities such as banks and building societies for which investing in assets and providing financing to customers are both main business activities, we expect that most of the income and expenses of the business activities including providing financing and investing in assets (which includes income and expenses from cash and cash equivalents for entities that invest in financial assets as a main business activity) will fall into the operating income category. This allocation may impact on operating profit.

- Management-defined performance measures.

Management might define its own measures of performance; the Group refer to these as 'alternative performance measures'. IFRS 18 defines a subset of these measures that relate to an entity's financial performance as 'management-defined performance measures' ('MPMs'). Enhanced disclosures are required for these measures including a reconciliation between the MPM and the most similar specified IFRS subtotal. The Group will therefore provide a reconciliation of Core Operating Profit back to Profit Before Tax in the notes to the accounts.

- Aggregation and disaggregation.

IFRS 18 strengthens guidance on the principles of aggregation and disaggregation of items based on their shared characteristics. The Group does not present expenses by function therefore no significant impact is expected from this requirement.

- Foreign exchange differences, derivatives and designated hedging instruments.

Foreign exchange differences and gains and losses on derivatives must be classified consistently with the related underlying items. This may change the category in which certain gains and losses appear and could affect operating profit presentation.

As the Group will adopt IFRS 18 from the effective date of 1 January 2027, a comparative for the reporting period ending 31 December 2026 will need to be prepared as retrospective application is required.

Change in accounting policy

There were no changes to accounting policies during the year ended 31 December 2025.

Material accounting policies

Interest revenue and expense calculated using the effective interest rate method

The effective interest rate method is used to calculate the revenue and expense for financial instruments held at amortised cost. The effective interest rate is the rate that exactly discounts estimated future cash flows (excluding credit losses) over the expected life of the instrument back to the carrying value of the asset.

For mortgage loans and advances to customers this includes an estimate of any early repayment income. Directly attributable acquisition costs, such as application and arrangement fees, are also incorporated in the calculation.

This has the effect of spreading these fees and costs over the expected life of the mortgage. Expected lives are estimated using historical data and management judgement. The calculation is adjusted when actual experience differs from estimates, with changes in deferred amounts being recognised immediately in the income statement.

Interest income and expense from clearing collateral agreements is presented within Interest revenue.

Fees and commissions

Fees and commissions on referral of customers to third party service providers of financial products is accounted for on an effective interest rate basis, similar to interest revenue and expense calculated using the effective interest rate method. Other fees and commissions are recognised on an accruals basis as the relevant service is provided or at a point in time if the service or product provided relates to a one-off action.

Other operating income

Other operating income comprises profits and losses on disposal of fixed assets and rental income from investment property. The Society also includes the recharge of administrative expenses to its subsidiaries.

Income from investments

This consists of dividend income and is recognised when the rights to receive the payment have been established.

Financial instruments

Classification and measurement of financial assets and financial liabilities

The Group initially recognises financial assets and liabilities at their fair value (adjusted for any directly attributable transaction costs for those subsequently classified at amortised cost) on the date that the Group becomes a party to the contractual provisions of the instrument. Subsequent measurement of financial assets and financial liabilities depends on the contractual cash flow characteristics of the instrument.

Amortised cost: this measurement approach is applied to instruments that are held to collect interest and principal payments over the life of the contract. Subsequent measurement is via the effective interest rate method (see *Interest revenue and expense calculated using the effective interest rate method*), subject to impairment (see *Impairment*), plus any adjustment if designated as part of an effective hedge accounting arrangement (see *Hedge accounting*).

Fair value through other comprehensive income: this measurement approach is applied to financial assets whose business objective is the collection of interest and principal payments but that are also bought and sold. Subsequent measurement is at fair value with changes in fair value recognised in other comprehensive income. When the instrument is derecognised, the cumulative gain or loss previously recognised in reserves is reclassified to the income statement.

Fair value through profit and loss: this method is applied to those instruments that are not classed as amortised cost or fair value through other comprehensive income. Subsequent measurement is at fair value with any movements recognised in the income statement in the period in which they arise.

1. Statement of accounting policies (continued)

Material accounting policies (continued)

Financial instruments (continued)

The table below summarises the Group's financial instruments and the treatment adopted in these financial statements:

Financial instrument	Description	Subsequent measurement
Cash and balances with the Bank of England	Cash balances and statutory deposits	Amortised cost
Loans and advances to credit institutions	Fixed and variable interest rates	Amortised cost
Debt securities	Fixed, variable and indexed linked interest rates	Fair value through other comprehensive income, amortised cost and fair value through profit and loss
Loans and advances to customers	Primarily mortgage products offering a variety of fixed and variable interest rates	Amortised cost
Derivative financial instruments*	Swaps and options to manage interest rate and foreign exchange risk exposures	Fair value through profit and loss (unless designated as a cash flow hedge, see 'Hedge accounting' section of Note 1, then fair value through other comprehensive income)
Investments in controlled entities	Equity investments in controlled entities	Cost less accumulated impairment losses
Investment in equities	Equity investments in non-controlled entities	Fair value through profit and loss
Other deposits	Deposits made by non-members	Amortised cost
Shares	Deposits made by members with a variety of fixed and variable interest rates	Amortised cost
Amounts owed to credit institutions	Time Deposits at fixed and variable interest rates	Amortised cost
Debt securities in issue, subordinated liabilities and other deposits	Fixed and variable interest rates	Amortised cost

* The Society holds intra group derivatives to manage interest rate risk within the special purpose securitisation vehicles and these are measured at amortised cost. These internal derivatives are treated as part of the deemed loan with the SPV.

Derecognition of financial instruments

Financial assets are only derecognised when the contractual rights to receive cash flows from the financial assets have expired, or when the Group has transferred substantially all the risks and rewards of ownership. As described in *Securitisation transactions*, the Group has not derecognised the loans transferred to the SPVs to secure the issue of covered bonds and mortgage backed securities because substantially all the risks and rewards are retained.

Financial liabilities are only derecognised when the obligation is discharged, cancelled, or has expired.

Impairment of financial assets

At each reporting date the Group assesses financial assets held at amortised cost for impairment.

For *loans and advances to customers* the Group uses the expected credit loss (ECL) staging model to assess any impairment in the carrying value of the mortgage assets. This model uses forward looking assessments of overall expected credit losses and recognises impairment based on a three-staged approach as follows.

Stage 1: financial assets are categorised into 'stage 1' on initial recognition. Impairment is based on expected credit losses resulting from default events projected within the next 12 months (12 month ECL).

Stage 2: financial assets move into 'stage 2' when they are deemed to have experienced a significant increase in credit risk (SICR), based on quantitative and/or qualitative risk grade thresholds. Impairment is then based on expected losses over the full lifetime of the contract (lifetime ECL).

The Group assesses a SICR to have occurred when the accounts are more than 30 days past due or there has been a significant relative increase in the lifetime probability of default (PD) compared to that at initial recognition.

For retail accounts, PD is based on the customer's credit quality, including analysis of their behaviour scores and other account characteristics. For non-retail portfolios, the Group assess a significant increase in credit risk using a combination of individual and collective information, including monitoring through the watch list process. For further information on the watch list process see Note 31.

Stage 3: financial assets are moved into 'stage 3' when there is objective evidence that the loan is credit impaired, with expected credit losses still calculated on a lifetime basis.

A loan is considered credit impaired when it is 90 days past due, has been renegotiated for credit risk reasons, or otherwise considered to be in default (including possession, insolvency and assets beyond term expiry).

The Group's use of forbearance tools, including arrears arrangements, payment deferrals, term extension, transfers to interest only and interest capitalisation, are factored into the criteria for identifying stage 3 accounts. The impairment provision is determined using the same calculation as stage 2 accounts, but with the PD set to 100%.

Loans that are either purchased or originated credit impaired (POCI) are classified as stage 3 at initial recognition and cannot be transferred to stage 1 or 2 even if the credit quality of these assets improves. The Group has a portfolio of loans acquired as part of the Chelsea Building Society and Norwich & Peterborough Building Society acquisitions that meet this definition.

ECL calculations: these are assessed at individual loan level using three main components.

- PD, being the probability, at the point of assessment, that the customer will default in the future. The definition of default includes accounts that are 90 days past due, interest only accounts past term end, those under certain forbearance measures and others exhibiting other unlikelihood to pay indicators.
- Exposure at default (EAD), being the outstanding value of the loan, taking into account the repayment of principal and interest between the date of assessment and expected default date.
- Loss given default (LGD), is the net impact of the EAD after taking into account the mitigating effect of collateral and the time value of money.

PD is a calculation based on current conditions and adjusted to take into account estimates of future conditions that will impact PD. EAD is modelled based on expected payments over the term and is not floored at the current balance.

LGD takes into account the expected impact of future economic conditions, such as changes in value of collateral, and does not include any floors. Only costs directly associated with obtaining/selling collateral are included. Discounting of the expected cash flows is performed using the effective interest rate of the loan.

The ECL is calculated using models that build up separate estimates for PD, EAD and LGD for every month that a loan is due to be outstanding.

PD and LGD estimates are then flexed under different scenarios to capture the effects of changes to the forward looking macroeconomic variables (including interest rates, unemployment, house prices and inflation). The final ECL figure takes a probability weighted average of these different scenarios.

Loans are written off against this ECL balance when there is no realistic prospect of recovery. This is generally after receipt of any proceeds from the realisation of the collateral backing the loan.

Other financial assets are considered low credit risk at the reporting date as they are investment grade instruments. As a result, impairment is based on 12 month ECL as per stage 1 above. If changes in instruments' rating breaches the risk appetite then an ECL assessment will take place on the individual asset basis.

Financial instruments acquired in business combinations

Financial assets and liabilities acquired in a business combination are recognised at fair value upon acquisition. To the extent that this differs from the underlying amortised cost carrying value assumed on the transaction date, a fair value adjustment is recognised on the balance sheet.

This balance is then amortised through the income statement over the expected life of the acquired portfolio in a manner that reflects the consumption of the economic benefits arising from the underlying assets and liabilities. To the extent that the fair value adjustment relates to estimated credit losses on a portfolio of mortgage assets, the *fair value credit adjustment* is included in the overall ECL balance.

The Group continues to run off balances in relation to the Chelsea Building Society and Norwich & Peterborough Building Society acquisitions. In addition to the *fair value credit adjustments*, it also includes *interest rate fair value adjustments* in the *loans and advances to customers and shares* balances.

1. Statement of accounting policies (continued)

Material accounting policies (continued)

Financial instruments (continued)

Hedge accounting

As discussed, IFRS 9 *Financial Instruments* included a transitional relief allowing the continued use of the hedge accounting requirements of IAS 39 *Financial Instruments: Recognition and Measurement*, and the Group continue to adopt this approach.

The Group applies hedge accounting when the specific rules and conditions in IAS 39 are fulfilled. The Group has designated the majority of its derivatives as either fair value or cash flow hedges in order to reduce volatility in the income statement.

Fair value hedges

Where a derivative financial instrument meets the requirements of a fair value hedge, changes in the fair value of the hedged item are taken to the income statement offsetting the effect of the related movements in the fair value of the derivative.

Where the hedge no longer meets the criteria, the adjustment to the hedged item is released to the income statement over the remaining life of the original hedged relationship.

Cash flow hedges

Where a derivative financial instrument is designated as a cash flow hedge, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income and recycled to the income statement. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately. If a cash flow hedge is terminated, the cumulative unrealised gain or loss recognised in equity is then amortised to profit and loss over the remaining life of hedging instrument provided the cash flows on hedged items are still expected to occur.

Segmental reporting

The Executive Committee (EXCO) is responsible for allocating resources and assessing the performance of the Group and is therefore identified as the chief operating decision maker.

The Group has one reportable segment that EXCO reviews performance and makes decisions on for the Group as a whole. As a result, no segmental disclosure is provided.

Intangible assets

Intangible assets held by the Group consist primarily of externally acquired and internally developed computer software. This is measured at cost less accumulated amortisation and impairment.

Costs incurred in the development of computer software for internal use are capitalised as intangible assets where the expenditure leads to the creation of an identifiable non-monetary asset and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

Purchased software is classified as an intangible asset where it is not an integral part of the related hardware. Computer software costs are amortised using the straight line method over their estimated useful lives, which are generally three to five years.

Intangible assets are reviewed for impairment at each reporting date or at any point in time where there is an indication of impairment. Impairment is assessed by estimating the recoverable amount of the asset, being the higher of: fair value less costs of disposal; and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment in the value of these assets is recognised immediately in the income statement.

Investment property

Investment property comprise freehold properties, and parts of freehold properties, that are not used in the business and held for rental income or capital appreciation. These properties are generally flats and offices ancillary to branch premises. Investment properties are held at cost less accumulated depreciation and impairment.

Property, plant and equipment

Freehold properties used in the business, major alterations to office premises, fixtures and fittings, equipment and other tangible fixed assets are stated at cost less accumulated depreciation and impairment. Costs incurred after the initial purchase of fixed assets are expensed unless it directly results in increased future economic benefits that can be reliably measured. Repairs and maintenance are treated as an expense.

Depreciation is a measure that recognises the cost, less estimated residual value, over the estimated useful economic lives as follows:

- Freehold/long leasehold buildings (including investment properties) – 50 years.
- Short leasehold property and right-of-use property assets – Life of lease.
- Equipment, fixtures, fittings and vehicles – 3 to 20 years.
- Freehold land is stated at cost less accumulated impairment losses and is not depreciated.

Property, plant and equipment and investment properties are reviewed for impairment annually and where there is an indication that events or circumstances may mean that the carrying amount is not recoverable. Where the recoverable amount of the asset is estimated to be less than the carrying amount, the carrying amount is written down immediately to the recoverable amount. Any impairment in the value of assets is recognised in the income statement as it arises.

Leases

Contracts are accounted for as leases when the terms of the contract transfer substantially all the risks and rewards of ownership to the lessee. For such arrangements a 'right-of-use' asset, included in *property, plant and equipment*, and a corresponding lease liability, included in other liabilities, are recorded on the balance sheet upon initial recognition.

The right-of-use asset is measured at the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment. The lease liability is measured at the present value of the minimum lease payments.

Depreciation is recorded by the Group to write off the cost over the estimated useful economic life of the asset. Rent payable on finance leases is apportioned between the finance element, charged to the income statement, and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Leases with a short life, or relating to low value assets, are expensed to the income statement on a straight line basis over the period of the lease agreement.

Retirement benefit obligations

The asset or liability is recognised in respect of the Group's defined benefit pension scheme measured at the present value of the defined benefit obligation at the reporting date, less the fair value of the plan assets, together with adjustments for unrecognised past service costs.

An asset is only recognised to the extent that it is recoverable by the Group via available refunds and reductions in future contributions to the scheme.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Gains or losses arising from changes in assumptions are recognised in other comprehensive income in the period in which they occur.

Defined benefit obligations are discounted to present value using the rate of return available on high quality corporate bonds of an equivalent term to the obligations.

Past service costs are recognised immediately in the income statement to the extent that benefits are already vested and otherwise are amortised on a straight line basis over the average period until the benefits become vested.

Controlled entities

An entity is controlled where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Taxation including deferred tax

Tax comprises current tax and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the tax is recognised in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable profits for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised for temporary differences arising between the carrying amount of certain assets and liabilities for accounting purposes and for taxation purposes. Deferred tax is provided using tax rates enacted or substantively enacted at the reporting date effective on the date at which they are expected to reverse.

1. Statement of accounting policies (continued)

Material accounting policies (continued)

Taxation including deferred tax (continued)

The following temporary differences are not provided for:

- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit.
- Differences relating to investments in subsidiaries, to the extent that the parent is able to control the reversal of temporary differences, and it is probable they will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which a temporary difference can be utilised. The carrying amount of the deferred tax asset is reviewed at the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Provisions

Provisions are recognised when: the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle that obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the net present value of the consideration required to settle the obligation, taking into account the risks and uncertainties surrounding the obligation.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and raised a valid expectation that it will carry out the restructuring through announcing the main features of the plan to those affected by it.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheets when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group's loans and advances to customers include mortgage offset products that do not qualify for netting under the requirements described above as transactions are settled on a gross basis.

The Group offers offset mortgage products which allows any money held in the offset savings account to be deducted from the mortgage loan balance before calculating the interest on the loan. As there is a legally enforceable right to determine the interest income on a net basis, the interest income is presented as single net amount in the income statement.

The Group enters into derivative contracts, which are governed by International Swaps and Derivatives Association (ISDA) master agreements, an agreement is in place with each counterparty the Group transacts derivatives with. These agreements define the terms of how the Group will enter derivative contracts with the counterparty, including any netting arrangements. Also, the Group has various Credit Support Annexes (CSAs) with counterparties which define how collateral will be exchanged with a counterparty to mitigate market risk.

Foreign currency

Assets and liabilities denominated in foreign currencies are translated into Sterling at the appropriate rates of exchange prevailing at the reporting date and exchange differences are recognised in the income statement. All income and expense is translated into Sterling at the rate of exchange on the day of receipt or payment.

Statements of cash flows

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-restricted balances with less than three months maturity from the date of acquisition, included within cash and loans and advances to banks and similar institutions on the balance sheet. The statement of cash flows has been prepared using the indirect method.

2. Critical accounting judgements and key sources of estimation uncertainty

In applying its accounting policies, the Group makes judgements that have a significant impact on the amounts recognised in the financial statements.

In addition, estimates and assumptions are used that could affect the reported amounts of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. As explained in the *Board Audit Committee Report* in the *Governance* section, the Committee has considered the accounting judgements and estimates applied in the financial statements. The Board Audit Committee have confirmed to the Board that they consider these to be appropriate.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Retirement benefit obligations

The Group's accounting policy states that a net defined benefit pension scheme asset should only be recognised to the extent that the Group has the ability to access the pension scheme surplus in the form of a refund or reduction in future contributions.

The scheme trustees could act unilaterally in order to restrict the ability of the Group to seek a refund or reduce future contributions, hence a judgement on the likelihood of this event is required. The Group has received a legal opinion supporting the judgement that any surplus of the scheme can be recovered in full and that pension scheme trustees are unable to act to amend the scheme rules, and ultimately prevent the Society accessing the surplus, without the Society's support.

In addition, significant estimation uncertainty in respect of areas such as future interest rates and mortality rates have to be applied in estimating the value of the assets and liabilities of the defined benefit scheme. These are outlined in Note 17.

The impact of a 1.0% increase in the rate used to discount future liabilities from 5.50% to 6.50% would result in a decrease of liabilities of 10.5% (a 1.0% decrease would increase liabilities by 12.8%). The impact of a 0.5% increase in inflation would increase liabilities by 3.1% (a 0.5% decrease would decrease liabilities by 2.9%). The impact of a one-year increase in life expectancy at age 60 would be to increase liabilities by around 3.6% (a one-year decrease would decrease liabilities by 3.7%). Note that these sensitivities have been modelled independently as single variable adjustments and have not anticipated any correlation between movements in the inputs. A summary of the impact of these sensitivities on the scheme liabilities is included in Note 17.

Impairment of loans and advances to customers

The impairment calculation of expected credit losses (ECL) for a portfolio of mortgage loans is inherently uncertain. ECL are calculated using historical default and loss experience but require judgement to be applied in predicting future economic conditions (e.g. interest rates and house prices) and customer behaviour (e.g. default rates). The most critical judgements that lead to estimation uncertainty are as follows:

Economic scenarios and weightings

A forum, supported by Finance, Credit Risk, Balance Sheet Management and economic experts considers the forward-looking macroeconomic assumptions with the objective of developing internally coherent economic scenarios to propose to the Group Asset and Liability Committee (ALCO) for challenge and approval. ALCO ensures that the ECL meets the requirement for unbiased and weighted amounts derived by evaluating a range of possible outcomes and assumptions, or economic scenarios.

Judgements are made in arriving at the level of each economic variable, such as house price index (HPI) and unemployment, applied in each economic scenario to support the estimate of ECL. ALCO applies judgements to arrive at these assumptions.

The UK economic environment during 2025 has been more stable than what we saw during the COVID-19 pandemic and the years following it, with a more positive outlook emerging across key indicators. Inflation continues to ease and employment conditions have remained broadly stable, with a modest rise in unemployment during the year. The HPI index returned to positive annual growth and mortgage affordability pressures eased somewhat as interest rates stabilised.

The provision is calculated by applying a range of economic scenarios that are weighted.

The Group continue to apply four economic scenarios. The Group determined that the continued application of the combined 70% weighting to the Upside and Core scenarios still reflected a reasonable view of the more positive economic outlook. SME judgement is applied in determining the relative weighting of each economic scenario in the ECL estimate, informed both by an assessment of external data and statistical model results.

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of loans and advances to customers (continued)

Economic scenarios and weightings (continued)

In terms of sensitivity to changes in key economic variables within the model, the ECL model was run with a 100% weighting applied to the Core scenario, in both Core and Non-Core models. When the HPI forecast was replaced with the respective forecasts from the Downturn and Severe Downturn scenarios, ECL increased by £8.1 million and £27.7 million (2024: £6.8 million and £23.1 million). Below is the percentage change in HPI forecast for both downturn scenarios for the next 5 years in relation to the Core scenario.

HPI	2026	2025 Scenario (% change)			2030
		2027	2028	2029	
Downturn	(8.2)	(4.4)	(2.0)	(1.8)	(1.8)
Severe Downturn	(16.9)	(11.0)	(3.5)	3.1	0.5

HPI	2025	2024 Scenario (% change)			2029
		2026	2027	2028	
Downturn	(7.0)	(2.0)	(2.5)	(1.8)	(1.8)
Severe Downturn	(17.3)	(12.5)	(4.6)	3.1	(2.5)

The key in-year impact of changes to economic variables came from applying quarterly Office of National Statistics (ONS) HPI updates, which accounted for £2.8 million of impairment release over 2025 (2024: £0.3 million charge).

3. Interest revenue

	Group 2025 £m	2024 £m	Society 2025 £m	2024 £m
Calculated using the effective interest rate method:				
Loans secured on residential property	2,079.0	1,867.7	397.9	400.8
Loans secured on connected undertakings	–	–	1,787.8	1,749.3
Loans secured on commercial property	41.6	46.6	41.6	46.5
Other interest expense*	(15.9)	(41.7)	(15.9)	(41.7)
Liquid assets	284.5	304.5	282.1	295.0
Debt securities	283.6	319.4	712.3	951.0
Interest revenue calculated using the effective interest rate method	2,672.8	2,496.5	3,205.8	3,400.9
Other:				
Derivatives in hedge relationships	462.2	808.1	462.2	808.1
Derivatives not included in hedge relationships	41.5	70.1	41.5	70.1
Investments held at fair value	1.6	1.7	1.6	1.6
Other interest revenue	505.3	879.9	505.3	879.8
Total interest revenue	3,178.1	3,376.4	3,711.1	4,280.7

* Includes net interest income on clearing collateral agreements.

4. Interest expense

	Group 2025 £m	2024 £m	Society 2025 £m	2024 £m
Shares held by individuals	1,834.1	2,022.3	1,834.1	2,022.3
Owed to credit institutions	21.6	48.5	21.8	48.5
Deposits from connected undertakings	–	–	818.8	1,195.9
Other deposits	19.3	22.5	19.3	22.5
Debt securities in issue	172.0	174.3	188.0	205.5
Subordinated liabilities	70.0	74.0	70.0	74.0
Other interest payable	0.1	0.1	0.1	0.1
Derivatives in hedge relationships	168.1	193.2	108.3	126.4
Derivatives not included in hedge relationships	22.6	104.5	22.6	102.4
Interest expense for leasing arrangements	0.5	0.5	0.5	0.5
Total interest expense	2,308.3	2,639.9	3,083.5	3,798.1

5. Net (losses)/gains from financial instruments held at fair value

	Group		Society	
	2025 £m	2024 £m	2025 £m	2024 £m
Equity investments held at fair value	(0.7)	(1.7)	(0.7)	(1.7)
Hedge accounting ineffectiveness	(30.0)	21.2	(33.9)	31.1
Derivatives and debt securities not included in hedge relationships	(19.6)	16.7	(19.6)	15.0
Net (losses)/gains from financial instruments held at fair value	(50.3)	36.2	(54.2)	44.4

Derivatives and hedge accounting

The Group enters into interest rate swaps to manage its exposure to interest rate risk. All swaps are transacted for economic hedging purposes, although not all are designated in to a qualifying hedge relationship. Swaps not designated into a qualifying hedge relationship are measured at fair value through profit and loss and presented within derivatives and debt securities not included in hedge relationships. This portfolio includes both interest rate swaps that receive fixed cash flows (receive fix) and that pay fixed cash flows (pay fix).

During 2025, interest rates used in fair value calculations, linked to the Bank of England base rate, declined following cumulative cuts totalling 1%. For swaps designated in a fair value hedge relationship, these movements are offset by the corresponding fair value hedge adjustment on hedged mortgage portfolio. The Group recognised losses from hedge accounting ineffectiveness of £30.0m (2024: £21.2m gain), predominantly from its fair value mortgage hedge, the Group's largest hedge relationship. While interest rate risk is economically hedged, some hedge accounting ineffectiveness arises because on balance sheet assets and liabilities do not naturally offset and derivative terms cannot always perfectly match the underlying exposures. This hedge accounting ineffectiveness is amplified by the scale of the hedged portfolios, but all hedge relationships meet the IAS 39 hedge accounting effectiveness requirements. The Group's unmatched derivative portfolio is also largely composed of pay-fix swaps, and in line with decreasing rates, this has contributed to further losses shown under derivative and debt securities not included in hedge relationships.

Alongside this, the Group undertook a swap compression exercise during 2025, removing approximately £15.3 billion of swap notional. While some new swaps were transacted to maintain effective hedging, most of the compressed notional was eliminated entirely. This activity reduces operational complexity, counterparty exposure and ongoing costs. Although largely neutral from a fair value perspective, the compression process temporarily increased hedge ineffectiveness and resulted in higher amortisation adjustments where certain hedge relationships were rebalanced or discontinued as part of this exercise.

Hedge ineffectiveness also arises from the time-based amortisation of the fair value hedge adjustment on the mortgage portfolio, which does not align with fair value movements of the pay-fixed interest rate swaps. Changes in prepayment behaviour, updates to the hedged items and swaps, and revisions to expected cash flows alter the amortisation profile, creating timing differences that result in hedge ineffectiveness recognised in profit or loss.

In a qualifying hedge relationship, hedge accounting ineffectiveness also includes the portion of the change in the fair value of the hedging instrument that is not offset by changes in the fair values of the hedged item.

Investments held at fair value refer to the fair value gains and losses on equity shares investment.

6. Administrative expenses

	Group		Society	
	2025 £m	2024 £m	2025 £m	2024 £m
Staff costs				
Salaries and wages	169.0	157.4	169.0	157.4
Social security costs	20.5	16.5	20.5	16.5
Pension costs – defined benefit plans	1.1	2.1	1.1	2.1
Pension costs – defined contribution plans	14.4	13.2	14.4	13.2
Contractor staff costs	35.1	31.0	35.1	31.0
Other staff costs	1.9	1.8	1.9	1.8
Professional consultancy costs	17.3	5.9	17.3	5.9
Regulatory fees	18.0	15.2	18.0	15.2
Premises costs	14.3	17.5	14.3	17.5
IT costs	57.7	47.1	57.7	47.2
Marketing	11.4	10.2	11.4	10.2
Other expenses	27.1	25.2	26.8	25.0
Total administrative expenses	387.8	343.1	387.5	343.0

The Society operates a salary sacrifice scheme whereby employees can opt to make pension contributions from their pre-tax salaries. The amount shown in the table above under salaries and wages includes the headline salary (i.e. before the salary sacrifice deduction) and pension costs exclude the additional contributions made by the Society on employees' behalf as a result of the salary sacrifice scheme.

Full details of directors' remuneration, including the number of directors, the total remuneration of directors, including that of the highest paid director, bonuses and pensions are given in the Directors' Remuneration Report within the *Governance* section.

Staff numbers

The average number of persons employed by the Group and Society during the year (including executive directors) was as follows:

	2025		2024	
	Full time	Part time	Full time	Part time
Central administration	2,461	476	2,390	429
Branches	372	333	380	340
Total staff numbers	2,833	809	2,770	769

6. Administrative expenses (continued)

Remuneration of the auditors

	Group		Society	
	2025 £000	2024 £000	2025 £000	2024 £000
Audit fees for the Group and Society statutory audit*	1,226.0	1,420.0	1,226.0	1,420.0
Audit fee for the statutory audit of controlled entities	501.0	486.0	–	–
Audit related assurance services required by law or regulation	83.0	137.0	83.0	137.0
Total audit and audit related assurance services	1,810.0	2,043.0	1,309.0	1,557.0
Other permitted non-audit services	391.7	277.8	391.7	277.8
Total remuneration of the auditors	2,201.7	2,320.8	1,700.7	1,834.8

* Includes scope change of £34k related to the prior year (2024: £0.3m).

The above figures, relating to auditor's remuneration, exclude value added tax. Details of the Society's policy on non-audit work is given in the Board Audit Committee Report.

The classifications of audit related assurance services required by law or regulation and other permitted non-audit services reflect the terminology included in updated guidance issued by the UK Financial Reporting Council.

Other permitted non-audit services primarily consist of the half-year review and profit verification as well as assurance work in respect of ESG disclosures and debt issuances.

7. Impairment charge/(release) of financial assets

	Group		Society	
	2025 £m	2024 £m	2025 £m	2024 £m
Impairment charge/(release) on loans and advances to customers	9.9	1.1	(1.4)	(1.4)
Recoveries relating to loans and advances previously written off	(0.8)	(0.6)	(0.3)	(0.3)
Impairment release of other financial assets	(0.6)	(0.3)	(0.6)	(0.3)
Impairment charge/(release) of financial assets	8.5	0.2	(2.3)	(2.0)

In year ended 2025, the impairment charge on loans and advances to customers has increased to £9.9m (2024: £1.1m), reflecting a higher average risk profile within the Stage 2 ECL population, identified following the PD model recalibration.

8. Investments

During 2025, the Society received dividends from Accord of £78.0 million (2024: £75.0 million).

	Group		Society	
	2025 £m	2024 £m	2025 £m	2024 £m
Equities	0.8	1.6	0.8	1.6
Equity in controlled entities	–	–	104.0	104.0
Loans with controlled entities	–	–	43,525.6	41,327.4
Total investments	0.8	1.6	43,630.4	41,433.0

All loans with controlled entities are charged interest with amounts recognised in interest revenue.

Investment in equities

The Group holds equity investments in a banking and credit card service provider due to our historic participation in their card servicing operations. The investments are held at fair value through profit or loss and the valuation technique is detailed in Note 32.

Subsidiaries

The Society holds 100% of the ordinary equity share capital for each of the following subsidiary entities, all of which are audited and consolidated. Norwich and Peterborough Insurance Brokers Limited Subsidiary was liquidated on 13 August 2025.

Subsidiary	Principal activity
Accord Mortgages Limited	Mortgage lending
Norwich and Peterborough (LBS) Limited	Mortgage finance
The Group has taken advantage of the audit exemptions available for small and dormant subsidiaries under sections 479 and 480 of the <i>Companies Act 2006</i> for the following subsidiary entities, all of which are consolidated:	
BCS Loans & Mortgages Limited	Yorkshire Insurance Services Limited
Chelsea Mortgage Services Limited	Yorkshire Life Assurance Services Limited
YBS Limited	Yorkshire Mortgage Services Limited
Yorkshire Direct Limited	Yorkshire Personal Financial Services Limited
YBS Group Limited	Yorkshire Property Services Limited
YBS Pension Trustees Limited	Yorkshire Services Limited
Yorkshire Group Limited	Yorkshire Key Services Limited

All subsidiaries have a 31 December accounting period end, are registered in England and have their registered office as Yorkshire Drive, Bradford, BD5 8LJ.

Other controlled entities

The following entities are deemed to be controlled as, whilst the Group does not have a controlling equity shareholding, it has the right to variable returns from its involvement in the entity. The Society's interests in these entities are, in substance, no different than if they were wholly-owned subsidiary undertakings and, as a result, they are consolidated into the Group. The carrying value of the equity holdings in these entities in the Society is £nil (2024: £nil).

Brass No.8 PLC (in liquidation)	Brass No.11 PLC
Brass No.8 Mortgage Holdings Limited* (in liquidation)	Brass No.11 Mortgage Holdings Limited*
Brass No.9 PLC	Tombac No.3 PLC
Brass No.9 Mortgage Holdings Limited*	Tombac No.3 Mortgage Holdings Limited*
Brass No.10 PLC	YBS Covered Bonds Finance Limited
Brass No.10 Mortgage Holdings Limited*	YBS Covered Bonds Finance (Holdings) Limited*
White Rose Master Issuer PLC	Yorkshire Building Society Covered Bonds LLP
White Rose Master Holdings Limited*	

* All these entities, with the exceptions of the Holding Companies, are subject to audit and have a 31 December year end. Their registered office is Third Floor, 1 King's Arms Yard, London, EC2R 7AF, with the exceptions of Yorkshire Building Society Covered Bonds LLP whose registered address is Yorkshire Drive, Bradford, BD5 8LJ.

9. Tax expense

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Corporation tax – current year charge	120.3	79.1	95.4	44.4
Corporation tax – adjustment in respect of prior periods	(0.9)	0.1	(0.9)	0.1
Total current tax	119.4	79.2	94.5	44.5
Deferred tax – current year	(18.7)	22.3	(18.5)	22.6
Deferred tax – adjustment in respect of prior periods	1.7	0.5	1.7	0.5
Total tax expense in the income statement	102.4	102.0	77.7	67.6

The Group has an effective tax rate for the year of 27.1% (2024: 26.6%), which is higher than the average UK statutory corporation tax rate for the year of 25.0% (2024: 25.0%). This is mainly due to the effects of the banking surcharge on the taxable profits of the Society. A full breakdown of the difference is provided below:

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Profit before tax	377.9	383.7	347.7	324.5
Tax calculated at a tax rate of 25.0% (2024: 25.0%)	94.5	95.9	86.9	81.1
Effects of:				
Income not subject to tax	(0.5)	(0.8)	(20.0)	(19.1)
Expenses not deductible for tax purposes	2.0	1.8	3.4	3.0
Profit/(loss) of Yorkshire Building Society Covered Bonds LLP	–	–	1.0	(2.5)
Banking surcharge	5.6	4.5	5.6	4.5
Adjustment to tax charge in respect of prior periods	0.8	0.6	0.8	0.6
Total tax expense in income statement	102.4	102.0	77.7	67.6
Tax (credit)/expense recognised directly in equity:				
Tax on financial instruments held at fair value through other comprehensive income	1.9	(3.5)	1.9	(3.5)
Tax on remeasurement of net retirement benefit obligations	(1.5)	(1.2)	(1.5)	(1.2)
Deferred tax on cash flow hedges	(3.9)	2.6	(3.9)	2.6
Total tax recognised directly in equity	(3.5)	(2.1)	(3.5)	(2.1)

The Group is within the scope of the OECD Pillar Two model rules, which have been enacted into UK legislation. The intention of the legislation is to ensure that UK-headquartered multinational enterprises pay a minimum tax rate of 15% on UK and overseas profits. The Pillar Two rules include a Qualified Domestic Minimum Top-Up Tax, which aims to ensure that large UK groups pay a minimum tax rate of 15% on their UK profits.

The Group's operations are entirely based in the UK and are subject to UK corporation tax. The UK rate of corporation tax is 25% and based on a full assessment of the UK's implementation of the rules and calculation of their application to the Group, the impact of Pillar Two taxes on the Group is not expected to be material.

The tax expense arising from Pillar Two is £nil for the years ended 31 December 2025 and 31 December 2024.

The IAS 12 exceptions from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes have been applied.

10. Cash and balances with the Bank of England

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Cash in hand	8.1	8.7	8.1	8.7
Unencumbered deposits with the Bank of England	6,035.5	5,601.0	6,035.5	5,601.0
Cash and balances with the Bank of England	6,043.6	5,609.7	6,043.6	5,609.7

11. Debt securities

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Debt securities issued by:				
UK public bodies	2,433.8	2,414.8	2,433.8	2,414.8
Other public bodies	504.6	1,105.2	504.6	1,105.2
Other credit institutions	4,198.5	4,901.3	4,198.5	4,901.3
Group companies	–	–	8,502.8	10,567.7
Total debt securities	7,136.9	8,421.3	15,639.7	18,989.0

11. Debt securities (continued)

Debt securities issued by Group companies comprise retained investments in the Group's securitisation vehicles.

Group	Fair value through profit and loss £m	Fair value through Other comprehensive Income £m	Amortised cost £m	Total £m
Movements in debt securities during the year were:				
At 1 January 2025	27.6	7,302.6	1,091.1	8,421.3
Additions	–	3,345.9	–	3,345.9
Disposals and repayments	–	(4,125.7)	(621.8)	(4,747.5)
Exchange translation	–	11.5	5.2	16.7
Other changes in value	1.1	99.2	0.2	100.5
At 31 December 2025	28.7	6,633.5	474.7	7,136.9
At 1 January 2024	27.3	5,195.7	2,338.9	7,561.9
Additions	–	3,141.2	628.2	3,769.4
Disposals and repayments	–	(988.8)	(1,866.4)	(2,855.2)
Exchange translation	–	(25.2)	(22.0)	(47.2)
Other changes in value	0.3	(20.3)	12.4	(7.6)
At 31 December 2024	27.6	7,302.6	1,091.1	8,421.3
Society	Fair value through profit and loss £m	Fair value through other comprehensive Income £m	Amortised cost £m	Total £m
Movements in debt securities during the year were:				
At 1 January 2025	27.6	7,302.6	11,658.8	18,989.0
Additions	–	3,345.9	1,030.8	4,376.7
Disposals and repayments	–	(4,125.7)	(3,702.4)	(7,828.1)
Exchange translation	–	11.5	5.2	16.7
Other changes in value	1.1	99.2	(14.9)	85.4
At 31 December 2025	28.7	6,633.5	8,977.5	15,639.7
At 1 January 2024	27.3	5,195.7	14,131.3	19,354.3
Additions	–	3,141.2	1,593.1	4,734.3
Disposals and repayments	–	(988.8)	(4,037.7)	(5,026.5)
Exchange translation	–	(25.2)	(22.0)	(47.2)
Other changes in value	0.3	(20.3)	(5.9)	(25.9)
At 31 December 2024	27.6	7,302.6	11,658.8	18,989.0

12. Loans and advances to customers

	Group 2025 £m	2024 £m	Society 2025 £m	2024 £m
Loans secured on residential property:				
Loans fully secured on residential property	49,409.1	47,813.2	7,782.1	8,653.0
Other loans secured on residential property	4.7	5.1	–	–
Loans secured on commercial property	2,545.2	1,945.8	2,544.8	1,945.3
Gross loans and advances to customers	51,959.0	49,764.1	10,326.9	10,598.3
Impairment	(48.2)	(39.2)	(6.2)	(7.3)
Fair value credit adjustment	(17.0)	(19.4)	(17.0)	(19.4)
Expected credit losses (ECL)	(65.2)	(58.6)	(23.2)	(26.7)
Total loans and advances to customers	51,893.8	49,705.5	10,303.7	10,571.6

The following tables analyse the changes in ECL impairment and fair value credit adjustments.

	Group 2025 £m	2024 £m	Society 2025 £m	2024 £m
Opening impairment	39.2	37.7	7.3	8.4
Amounts written off in the year	(2.5)	(1.4)	(0.6)	(0.9)
Discounting recognised in net interest income	1.6	1.8	0.9	1.2
Charge/(release) for the year recognised in the income statement	9.9	1.1	(1.4)	(1.4)
Impairment	48.2	39.2	6.2	7.3
	Group 2025 £m	2024 £m	Society 2025 £m	2024 £m
Opening fair value credit adjustment	19.4	22.3	19.4	22.3
Release recognised in the income statement through net interest	(1.3)	(2.3)	(1.3)	(2.3)
Amounts written off in the year	(1.1)	(0.6)	(1.1)	(0.6)
Fair value credit adjustment	17.0	19.4	17.0	19.4

13. Intangible assets

Group and Society	Development costs	Software	Internally generated assets	Other	Total
	£m	£m	£m	£m	£m
Cost:					
At 1 January 2025	5.4	61.6	12.2	7.1	86.3
Additions	0.6	3.1	–	–	3.7
Other adjustments	(0.8)	–	–	–	(0.8)
Disposals	–	(4.1)	(10.8)	–	(14.9)
At 31 December 2025	5.2	60.6	1.4	7.1	74.3
Amortisation:					
At 1 January 2025	–	50.9	12.2	7.1	70.2
Charged in year	–	3.5	–	–	3.5
Disposals	–	(3.6)	(10.8)	–	(14.4)
At 31 December 2025	–	50.8	1.4	7.1	59.3
Net book value at 31 December 2025	5.2	9.8	–	–	15.0
Cost:					
At 1 January 2024	–	67.6	12.6	7.1	87.3
Additions	4.9	0.4	–	–	5.3
Disposals	–	(5.9)	(0.4)	–	(6.3)
Transfers	0.5	(0.5)	–	–	–
At 31 December 2024	5.4	61.6	12.2	7.1	86.3
Amortisation:					
At 1 January 2024	–	49.4	12.5	7.1	69.0
Charged in year	–	7.4	0.1	–	7.5
Disposals	–	(5.9)	(0.4)	–	(6.3)
At 31 December 2024	–	50.9	12.2	7.1	70.2
Net book value at 31 December 2024	5.4	10.7	–	–	16.1

Other intangible assets primarily comprise the fair value of items acquired on mergers (retail savings and brands) and an amount paid for the transfer of a number of employee sharesave schemes to the Society.

14. Investment property

Group and Society	2025 £m	2024 £m
Cost:		
At 1 January 2025	22.0	21.7
Additions	1.7	0.4
Disposals	(0.3)	(0.1)
At 31 December 2025	23.4	22.0
Depreciation:		
At 1 January 2025	10.9	6.0
Charged in year	0.7	0.4
Impairment	–	4.6
Disposals	(0.1)	(0.1)
At 31 December 2025	11.5	10.9
Net book value at 31 December 2025	11.9	11.1
Fair value	12.6	12.7

Investment properties are generally flats and offices ancillary to branch premises and not used by the Group. Rental income of £1.1 million on investment properties has been included within other operating income (2024: £1.0 million).

The fair value of the Group's investment properties at 31 December 2025 is based predominantly on external valuations.

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15. Property, plant and equipment

Group and Society	Land and buildings	Equipment, fixtures and fittings	Right-of-use property	Right-of-use motor vehicles	Total
	£m	£m	£m	£m	£m
Cost:					
At 1 January 2025	105.1	53.2	23.3	1.3	182.9
Additions	3.9	2.1	3.1	–	9.1
Disposals	(4.3)	(10.1)	(0.7)	(0.2)	(15.3)
Assets transferred to held for sale	(1.0)	–	–	–	(1.0)
At 31 December 2025	103.7	45.2	25.7	1.1	175.7
Depreciation:					
At 1 January 2025	34.4	35.3	10.6	1.2	81.5
Charged in year	9.9	4.7	2.8	–	17.4
Disposals	(3.9)	(8.7)	–	(0.1)	(12.7)
Asset transferred to held for sale	(0.2)	–	–	–	(0.2)
At 31 December 2025	40.2	31.3	13.4	1.1	86.0
Net book value at 31 December 2025	63.5	13.9	12.3	–	89.7
Cost:					
At 1 January 2024	101.9	59.2	22.6	1.3	185.0
Additions	6.6	6.0	0.6	–	13.2
Disposals	(3.4)	(11.3)	–	–	(14.7)
Lease modification	–	–	0.1	–	0.1
Assets transferred to held for sale	–	(0.7)	–	–	(0.7)
At 31 December 2024	105.1	53.2	23.3	1.3	182.9
Depreciation:					
At 1 January 2024	34.2	42.2	8.0	1.1	85.5
Charged in year	3.6	4.9	2.6	0.1	11.2
Disposals	(3.4)	(11.3)	–	–	(14.7)
Asset transferred to held for sale	–	(0.5)	–	–	(0.5)
At 31 December 2024	34.4	35.3	10.6	1.2	81.5
Net book value at 31 December 2024	70.7	17.9	12.7	0.1	101.4

A £4.9m depreciation adjustment on freehold assets was recognised in the year to align all depreciation rates with the Group's accounting policy.

16. Deferred tax

	Group 2025 £m	2024 £m	Society 2025 £m	2024 £m
At 1 January	43.2	22.5	42.1	21.1
Income statement (credit)/expense – Note 9	(17.0)	22.8	(16.8)	23.1
Tax (credit)/expense recognised directly in equity	(3.5)	(2.1)	(3.5)	(2.1)
At 31 December	22.7	43.2	21.8	42.1
Deferred tax assets and liabilities are attributable to the following items:				
Deferred tax assets				
Deferred remuneration	(4.0)	(4.0)	(4.0)	(4.0)
Pensions and other post-retirement benefits	(2.1)	(2.1)	(2.1)	(2.1)
Financial instruments held at fair value through other comprehensive income	(5.7)	(7.5)	(5.7)	(7.5)
Cash flow hedge	(1.2)	–	(1.2)	–
Other temporary differences	(0.8)	(1.4)	(0.9)	(1.4)
Total deferred tax assets	(13.8)	(15.0)	(13.9)	(15.0)
Deferred tax liabilities				
Pensions and other post-retirement benefits	7.9	9.2	7.9	9.2
Capital allowances in excess of depreciation	2.0	2.4	2.0	2.4
Fair value movements on external swap on intercompany loan	25.4	42.0	25.4	42.0
Cash flow hedge	–	2.7	–	2.7
Other temporary differences	1.2	1.9	0.4	0.8
Total deferred tax liabilities	36.5	58.2	35.7	57.1
Net deferred tax liabilities	22.7	43.2	21.8	42.1

The deferred tax (credit)/expense in the income statement comprise the following temporary differences:

	Group 2025 £m	2024 £m	Society 2025 £m	2024 £m
Pensions and other post-retirement benefits	0.1	(0.2)	0.1	(0.2)
Capital allowances in excess of depreciation	(0.4)	1.2	(0.4)	1.2
Fair value movements on external swap on intercompany loan	(16.7)	22.9	(16.7)	22.9
Other temporary differences	–	(1.1)	0.2	(0.8)
Total deferred tax (credit)/expense in the income statement	(17.0)	22.8	(16.8)	23.1

17. Retirement benefit obligations

The Group operates one main employee benefit scheme (the Scheme), the costs of which are borne by the Society, with both defined benefit and defined contribution sections.

In addition, the Group operates unfunded defined benefit (DB) pension schemes for former members of staff. The present value at 31 December 2025 of the defined benefit obligation (DBO) in relation to these schemes was £7.5 million (2024: £7.4 million) and the relevant disclosures have been separated from those of the main employee benefits scheme where appropriate.

Net defined benefit asset

As at 31 December 2025 the net defined benefit asset was £28.2 million (2024: £33.0 million), a decrease of £4.8 million from 31 December 2024.

Pensioner buy-in

In mid-November 2018 the Scheme entered into a pensioner buy-in with Pension Insurance Corporation (PIC). The premium of £248 million was paid for out of the Scheme's assets, with no additional funding required from the Society. The asset loss from the buy-in was approximately £25 million on an accounting basis. The transaction covered around £250 million of the Scheme's pensioner liabilities, based on the Technical Provisions basis. As such, some pensioners remain uninsured and not covered by the buy-in. At 31 December 2025, the Group valued the YBS Scheme insurance contract with PIC to be equal to the corresponding IAS 19 defined benefit obligation in respect of the insured members. The assessed value of £134.9 million (2024: £140.7 million) was calculated using a methodology consistent with the approach used to calculate the total pension benefit. Benefits paid over 2025 in respect of the buy-in members totalled £9.8 million (2024: £9.5 million).

Defined contribution post-employment benefits

In addition to the defined benefit section (see below), the Group operates a defined contribution (DC) section of the main scheme. This Scheme is used by the Society to fulfil its auto enrolment duties. In 2025, the total Society contribution into the pension scheme in respect of DC benefits was £14.0 million (2024: £12.8 million). In addition to this the Society also paid £1.0 million (2024: £1.0 million) into the pension scheme to cover the approximate cost of DC expenses, including the cost of life assurance which is provided through the Scheme for all YBS colleagues.

Defined benefit post-employment benefits

The Group operates a funded defined benefit scheme for certain employees, providing benefits based on final salary. However, benefits earned by members of the defined benefit section of the main scheme, with the exception of N&P Section members, from 1 April 2010 are based on career average revalued earnings. N&P Section members' benefits are based on their Final Pensionable Salary (following the removal of the 31 March 2010 freeze). The defined benefit section was closed to new employees in 2000 and to future accrual on 31 December 2015. The assets of the scheme are held in a separate trustee-administered fund. Contributions are assessed in accordance with the advice of an independent qualified actuary using the projected unit method.

The defined benefit section of the Scheme has a weighted average maturity of around 12 years (2024: 13 years). This weighted average duration of a pension scheme is the average discounted term until benefit payments are due, weighted by the size of the payment. A breakdown of the scheme liabilities by members is included below.

	Funded DB scheme		Unfunded DB scheme	
	2025	2024	2025	2024
	£m	£m	£m	£m
Deferred in service liability	32.3	31.0	–	–
Deferred liability	151.7	146.8	–	–
Pensioner liability	318.7	331.5	7.5	7.4
Total liabilities	502.7	509.3	7.5	7.4

GMP equalisation

On 26 October 2018, the High Court ruled that the Lloyds Bank schemes had to equalise pension scheme benefits between males and females for the effects of Guaranteed Minimum Pension (GMP) and identified acceptable methods as to how this can be achieved. The benefits provided under the Scheme are uncertain to the extent that the impact of GMP equalisation has not yet been fully reflected in Scheme benefits. An allowance has been included in the liabilities to reflect the expected value of these additional benefits in line with what was calculated at last year end, i.e. uplifting the DBO by 0.2%.

Scheme specific risks

The ultimate cost of the Scheme to the Society will depend upon actual future events rather than the assumptions made. Many of the assumptions made are unlikely to be borne out in practice and, as such, the cost of the schemes may be higher or lower than disclosed. In general, the risk to the Society is that the assumptions underlying the disclosures, or the calculation of contribution requirements, are not borne out in practice and the cost to the Society is higher than expected. This could result in higher contributions being required from the Society and a higher deficit being disclosed. This may also impact the Society's ability to grant discretionary benefits or other enhancements to members.

The assumptions not being borne out in practice could include:

- The investment return on the Scheme's assets being lower than assumed, resulting in an unaffordable increase in the contributions required from the Society. The level of bond returns will be a key determinant of overall investment return; the investment portfolio is also subject to a range of other risks typical of the asset classes held, in particular equity returns, credit risk on bonds and exposure to the property market.
- Falls in asset values (particularly equities) not being matched by similar falls in the value of liabilities. This risk has been mitigated to some degree by the implementation of an asset liability matching investment strategy which is designed to match a proportion of the Scheme's interest rate exposure.
- Future levels of inflation being higher than assumed, resulting in higher than anticipated annual increases to benefits in payment, revaluations of benefits prior to retirement and salary increases. This risk has been mitigated to some degree by the implementation of an asset liability matching investment strategy which is designed to match a proportion of the Scheme's inflation exposure.
- Unanticipated improvements in the longevity of members leading to an increase in the Scheme's liabilities.

Assets

The Scheme's investment strategy, with a significant proportion of the assets invested in liability driven investments (consisting of index-linked government bonds, corporate bonds and swaps), is expected to reduce the volatility of the difference between the market value of the assets and the IAS 19 liabilities.

	Funded DB scheme	
	2025	2024
	%	%
Equities	–	1
Index-linked bonds	40	41
Corporate and other bonds	20	27
Cash and other	10	6
Swaps	–	(1)
Pensioner buy-in insurance contract	30	26
	100	100

Approximately 68% (2024: 69%) of the Scheme's investments are in quoted assets, with the exception of the liability matching assets classified as 'Swaps' and reinsurance assets included in 'Cash and other', where a proportion of these will be invested in unquoted assets and 'Buy in'.

17. Retirement benefit obligations (continued)

Scheme investment strategy

The Trustees set the investment strategy for the Defined Benefit ("DB") scheme taking into account considerations such as the strength of the Society's covenant, the long-term liabilities of the DB scheme and the funding agreed with the Society.

The Scheme's investment strategy is set in conjunction with the Scheme's investment adviser, recognising and managing a number of risks involved in the investment of the Scheme's assets in order to achieve the Scheme's investment objective.

The Trustees agreed that the investment objectives for the DB scheme should be:

- To achieve a return on the Scheme's assets that is consistent with the long-term assumptions of the Scheme Actuary in determining the funding of the Scheme, whilst at the same time balancing risk.
- To aim for the assets to exceed the liabilities as determined in the event of the Scheme winding up on the basis of cash equivalent transfer values.
- To minimise the requirement for the Society to make further deficit recovery plan contributions.

The investment strategy is set out in its Statement of Investment Principles (SIP). The strategy is to hold:

- A range of instruments that provide a better match both to changes in liability values and expected liability cash flows, including (but not limited to) gilts, corporate bonds and derivatives.
- A diversified range of return-seeking assets, including (but not limited to) equities (implemented physically and/or through equity futures), corporate bonds and secure income assets.
- Passive and actively managed portfolios as appropriate, following consideration of efficiency, liquidity and level of transaction costs likely to prevail within each market as well as the impact of the investment managers' fees on future expected returns.

In 2025, the Trustees worked with its investment adviser to address outstanding decisions from the full strategy review which took place in 2024. As part of these discussions, the Trustees assessed whether the current target return remained appropriate and reviewed the level of collateral held by the DB Scheme. Following discussions, the Trustees introduced an allocation to asset-backed securities to increase the expected return using excess collateral headroom.

With support from their investment adviser, the Trustees also conducted stress testing on the DB Scheme's strategy and balance sheet to identify key risks and consider potential mitigation actions. Based on this analysis, they decided to reduce the allocation to synthetic equities.

The Trustees continue to actively monitor the Scheme's investments as part of the Investment Sub Committee, which includes analysis on future expected returns for the investments. Furthermore, the Trustees have an integrated risk management framework in place to monitor and review the Covenant, Investment and Funding risks linked to the Scheme.

31 December 2022 Actuarial valuation

The value of the benefits promised to members are referred to as the Technical Provisions and are valued on a prudent basis as determined by the Trustees, having received advice from the Scheme Actuary. The most recent actuarial valuation, effective 31 December 2022 and completed in November 2023, showed a funding level (the ratio of assets to Technical Provisions) of 102%. As the Scheme was in surplus, no recovery plan or deficit reduction contributions were required. The next valuation is scheduled for 31 December 2025.

Virgin Media Ltd v NTL Pension Trustees II Ltd

On 5 June 2025, the Department for Work and Pensions confirmed its intention to introduce legislation permitting pension schemes to obtain retrospective actuarial confirmation for historic amendments affected by the Virgin Media ruling. In 2024 the Trustee's legal advisers reviewed a sample of deeds of amendment and concluded that the Scheme was likely to have complied with Section 37 of the Pension Schemes Act 1993, noting the anticipated legislative remedy. As at the signing date, and with reference to the Pension Schemes Bill 2025, the Trustees continue to monitor the position and expect that the proposed legislative solution will be available to the Scheme, if required.

Summary of assumptions

	2025 % pa	2024 % pa
Retail prices index (RPI) inflation	3.0	3.3
Consumer price index (CPI) inflation	2.4	2.7
Discount rate	5.5	5.5
Salary increases	3.7	3.9
Rate of increase of pensions in payment*		
In line with RPI, subject to a min of 3% and a max of 5% pa	3.6	3.7
In line with RPI, subject to a min of 0% and a max of 5% pa	2.9	3.2
In line with RPI, subject to a min of 0% and a max of 2.5% pa	2.1	2.2
In line with CPI, subject to a min of 0% and a max of 3% pa	2.1	2.2

* Term dependent inflationary increases have been adopted to reflect expected inflation in each future year. Illustrative inflationary assumptions have been provided which have been calculated to reflect the broad profile of the Society's pension obligations.

The most significant non-financial assumption is the assumed rate of longevity. The assumptions made are equivalent to the following life expectancies for scheme member at age 60.

	2025 Years	2024 Years
For a current 60 year old male	28.1	27.7
For a current 60 year old female	29.9	29.7
For a current 45 year old male	29.3	28.9
For a current 45 year old female	31.0	30.8

Defined benefit actual contributions paid wholly relate to contributions made by the Society.

Changes in market conditions generate an actuarial gain (decrease in liabilities) and a return on plan less than discount rate (decrease in assets).

Reconciliation of funded status

Group and Society	2025 £m	2024 £m
Present value of defined benefit obligation	(502.7)	(509.3)
Assets at fair value	530.9	542.3
Funded status/defined benefit asset	28.2	33.0

Reconciliation of unfunded status

Group and Society	2025 £m	2024 £m
Present value of unfunded defined benefit scheme	(7.5)	(7.4)
Present value of unfunded defined benefit scheme	(7.5)	(7.4)

17. Retirement benefit obligations (continued)**Statement of comprehensive income**

Group and Society	Funded DB scheme		Unfunded DB scheme	
	2025 £m	2024 £m	2025 £m	2024 £m
Cumulative actuarial (loss)/gain recognised at 1 January	(46.1)	(41.2)	16.3	15.6
Gain due to financial assumptions	12.1	61.8	0.2	0.8
(Loss)/gain due to demographic assumptions	(3.6)	0.9	–	–
(Loss)/gain due to experience	(2.0)	0.8	(0.3)	(0.1)
Loss due to investment return different from return implied by the discount rate	(11.6)	(68.4)	–	–
Total actuarial (loss)/gain recognised in SCI	(5.1)	(4.9)	(0.1)	0.7
Cumulative actuarial (loss)/gain recognised at 31 December	(51.2)	(46.1)	16.2	16.3

Components of pension expense as shown in the income statement

Group and Society	Funded DB scheme		Unfunded DB scheme	
	2025 £m	2024 £m	2025 £m	2024 £m
Administrative expenses	1.5	2.4	–	–
Interest (income)/cost on net defined benefit surplus	(1.8)	(1.7)	0.4	0.4
Total pension expense	(0.3)	0.7	0.4	0.4

Reconciliation of present value of defined benefit obligation

Group and Society	Funded DB scheme		Unfunded DB scheme	
	2025 £m	2024 £m	2025 £m	2024 £m
Present value of defined benefit obligation at 1 January	509.3	572.5	7.4	8.1
Administrative expenses	1.5	2.4	–	–
Interest cost	27.0	25.2	0.4	0.4
Actuarial (gain)/loss	(6.5)	(63.5)	0.1	(0.7)
Defined benefit actual benefits and costs paid	(28.6)	(27.3)	–	–
Disbursements directly paid by the employer	–	–	(0.4)	(0.4)
Present value of defined benefit obligation at 31 December	502.7	509.3	7.5	7.4

Movement in defined benefit fair value of assets

Group and Society	Funded DB scheme	
	2025 £m	2024 £m
Fair value of assets at 1 January	542.3	611.1
Interest income on scheme asset	28.8	26.9
Return on plan assets less than discount rates	(11.6)	(68.4)
Defined benefit actual benefits and costs paid	(28.6)	(27.3)
Fair value of plan assets at 31 December	530.9	542.3

The defined benefit obligation has reduced over the period, this is primarily driven by an increase in the discount rate assumption to 5.50% (2024: 5.45%) and a decrease in the salary escalation and price inflation assumptions.

Sensitivities

The IAS 19 liability measurement and the service cost are sensitive to the assumptions made about future inflation and salary growth levels, as well as the assumptions made about life expectation. They are also sensitive to the discount rate, which depends on market yields on Sterling-denominated high quality corporate bonds. A decrease in corporate bond yields will increase the liabilities although this will be partially offset by an increase in matching assets.

The table below shows the sensitivity of the defined benefit obligation combined and Scheme assets to changes in these assumptions. The final assumptions are chosen by the Society.

Principal Sensitivity Illustrations

	Defined benefit obligation £m	Assets £m	Net effect £m
Total as at 31 December 2025	510.2	530.9	20.7
Change in defined benefit obligation/assets given the following change in assumption:			
Discount rate:* 1.00% pa increase	(53.5)	(60.2)	(6.7)
Discount rate:* 1.00% pa decrease	65.1	71.0	5.9
Salary Escalation: 0.75% increase	0.8	–	(0.8)
Salary Escalation: 0.75% decrease	(0.8)	–	0.8
Inflation:** 0.50% increase	15.7	17.0	1.3
Inflation:** 0.50% decrease	(14.7)	(14.4)	0.3
Life expectancy: 1 year average increase	18.3	5.7	(12.6)
Life expectancy: 1 year average decrease	(18.9)	(6.0)	12.9

* The change in the discount rate is assumed to be equivalent to a 1% decrease in gilt, swap and credit based interest rates.

** The sensitivity illustrations above are calculated changing each assumption in isolation, keeping all other assumptions constant. In practice this is unrealistic as it ignores the impact from correlation between assumptions.

The asset liability matching strategy implemented for the Scheme means that a change in discount rate or inflation assumption has a broadly similar impact on the liabilities and the assets, reducing the volatility of the net impact. It should be noted that this strategy is based on liabilities on the self-sufficiency basis, i.e. higher liabilities than on an accounting basis. As such, on an accounting basis, for the sensitivities above, the assets increase by more than the liabilities, resulting in an improvement in the accounting balance sheet position.

18. Other assets

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Prepayments and accrued interest	34.0	29.7	34.0	29.7
Due from controlled entities	–	–	86.9	74.7
Other assets	4.6	6.7	2.6	4.8
Total other assets	38.6	36.4	123.5	109.2

19. Shares

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Shares comprising balances held by individuals	52,913.7	52,044.4	52,913.7	52,044.4
Fair value adjustment for hedged risk on shares	27.3	1.0	27.3	1.0
Total shares	52,941.0	52,045.4	52,941.0	52,045.4

20. Other deposits

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Amounts owed to:				
Subsidiary undertakings	–	–	10,769.4	12,842.6
Other customers	1,508.7	1,196.8	1,508.7	1,196.8
Total other deposits	1,508.7	1,196.8	12,278.1	14,039.4

21. Debt securities in issue

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Covered bonds	3,570.7	2,960.0	4,788.8	4,195.9
Medium-term notes	900.8	1,258.1	900.8	1,258.1
Residential mortgage backed securities	953.7	801.2	–	–
Total debt securities in issue	5,425.2	5,019.3	5,689.6	5,454.0

Debt securities in issue include amounts secured on certain loans and advances to customers in Group £4.5 billion (2024: £3.8 billion) and Society £4.8 billion (2024: £4.2 billion).

22. Other liabilities

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Accruals and deferred income	51.8	43.4	51.8	43.4
Finance lease liabilities	15.0	14.9	15.0	14.9
Other	19.4	16.9	38.7	45.4
Total other liabilities	86.2	75.2	105.5	103.7

The lease liabilities are secured by the related underlying assets. The underlying maturity analysis of lease liabilities at 31 December 2025 for the Group is as follows:

	Buildings lease payments £m	Finance charges £m	NPV £m
Within 1 year	3.6	(0.4)	3.2
1-2 years	3.1	(0.3)	2.8
2-3 years	2.7	(0.2)	2.5
3-4 years	2.4	(0.2)	2.2
4-5 years	2.0	(0.1)	1.9
5-10 years	1.6	(0.2)	1.4
10-15 years	0.5	(0.1)	0.4
Over 15 years	0.7	(0.1)	0.6
Total at 31 December 2025	16.6	(1.6)	15.0

23. Provisions for liabilities and charges

Group	Customer redress	Restructuring	Property related provision	Other	Total
	£m	£m	£m	£m	£m
At 1 January 2025	0.7	0.9	1.7	0.9	4.2
Amounts utilised during the year	(0.6)	(1.0)	(0.1)	(0.1)	(1.8)
Provision (release)/charge	–	0.1	(0.1)	–	–
At 31 December 2025	0.1	–	1.5	0.8	2.4
At 1 January 2024	1.0	0.2	2.7	0.1	4.0
Amounts utilised during the year	(0.2)	(0.1)	(0.8)	–	(1.1)
Provision (release)/charge	(0.1)	0.8	(0.2)	0.8	1.3
At 31 December 2024	0.7	0.9	1.7	0.9	4.2

Society	Customer redress	Restructuring	Property related provision	Other	Total
	£m	£m	£m	£m	£m
At 1 January 2025	0.7	0.9	1.7	0.9	4.2
Amounts utilised during the year	(0.6)	(1.0)	(0.1)	(0.1)	(1.8)
Provision (release)/charge	–	0.1	(0.1)	–	–
At 31 December 2025	0.1	–	1.5	0.8	2.4
At 1 January 2024	0.9	0.2	2.7	0.1	3.9
Amounts utilised during the year	(0.1)	(0.1)	(0.8)	0.0	(1.0)
Provision (release)/charge	(0.1)	0.8	(0.2)	0.8	1.3
At 31 December 2024	0.7	0.9	1.7	0.9	4.2

During the course of its business, the Society receives complaints in relation to past sales or ongoing administration, as well as being subject to enquiries from and discussions with its regulators, governmental and other public bodies, on a range of matters. No provision is made where it is concluded that it is not probable that a quantifiable payment will be made; this will include circumstances where the facts are unclear or further time is required to reasonably quantify the expected payment.

At 31 December 2025, the Group holds customer redress provisions of £0.1 million (2024: £0.7 million) and the Society of £0.1 million (2024: £0.7 million) in respect of various potential customer claims and represent management's best estimate of the likely costs.

Restructuring provisions of £nil (2024: £0.9 million) are held in relation to business and organisational changes announced during 2025 and earlier periods.

Property related provisions of £1.5 million (2024: £1.7 million) are held in respect of lease costs for branch premises that are no longer in use. This will be utilised over the remaining term of the unoccupied leasehold branches.

24. Subordinated liabilities

Group and Society	Maturity date	2025 £m	2024 £m
Senior non-preferred:			
1½% Senior non-preferred bonds 2029	15 September 2029	250.0	249.6
3.511% Senior non-preferred bonds 2030	11 October 2030	301.7	301.6
6¾% Senior non-preferred bonds 2028	15 November 2028	351.9	352.0
7¾% Senior non-preferred bonds 2027	12 September 2027	305.9	305.5
Subordinated notes:			
3¾% Subordinated Bonds 2028	13 September 2028	302.8	302.2
13½% Convertible Tier 2 Capital Notes 2025	01 April 2025	–	26.5
Fair value hedge accounting adjustments		(39.9)	(84.1)
Total subordinated liabilities		1,472.4	1,453.3

All senior non-preferred bonds and subordinated bonds are denominated in Sterling. The following notes are repayable at the dates stated or earlier at the option of the Society and with the prior consent of the PRA under the following conditions.

Senior non-preferred:

- Redemption of the 1½% Notes at par on the optional call date of 15 September 2028 after giving fifteen to thirty days' notice to the holders. In the event the Society does not redeem the notes on 15 September 2028 the fixed rate of interest will become the sum of the yield on the relevant 1-year UK gilt-edged reference bond plus 1.15%.
- Redemption of the 3.511% Notes at par on the optional call date of 11 October 2029 after giving fifteen to thirty days' notice to the holders. In the event the Society does not redeem the notes on 11 October 2029 the fixed rate of interest will become the sum of the yield on the relevant 1-year UK gilt-edged reference bond plus 2.05%.
- Redemption of the 6¾% Notes at par on the optional call date of 15 November 2027 after giving fifteen to thirty days' notice to the holders. In the event the Society does not redeem the notes on 15 November 2027 the fixed rate of interest will become the sum of the yield on the relevant 1-year UK gilt-edged reference bond plus 2.65%.
- Redemption of the 7¾% Notes at par on the optional call date of 12 September 2026 after giving fifteen to thirty days' notice to the holders. In the event the Society does not redeem the notes on 12 September 2026 the fixed rate of interest will become the sum of the yield on the relevant 1-year UK gilt-edged reference bond plus 2.65%.

Subordinated notes:

- Redemption of the 3¾% Notes at par on the optional call date of 13 September 2027 after giving thirty to sixty days' notice to the holders. In the event the Society does not redeem the notes on this date, the fixed rate of interest will become the sum of the yield on the relevant 1-year UK gilt-edged reference bond plus 3.65%.

The rights of repayment of the holders of Subordinated notes are subordinated to the claims of all depositors and members holding shares in the Society, as regards the principal of their shares and interest due on them.

25. Financial commitments

At 31 December 2025, the Group and Society had committed undrawn standby facilities of £102.7m (2024: £105.8m). These amounts represent undrawn elements on credit facilities with customers. The amount has reduced over the year due to further drawdowns against these facilities and the maturity of a number of agreements.

26. Derivative financial instruments

Derivative financial instruments (derivatives) used for the management of market risk are contracts or agreements whose 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.

Derivatives are used by the Group in accordance with the Building Societies Act 1986. This means that such instruments are not used in trading activity or for speculative purposes and are only used to reduce the risk of loss on core assets or liabilities arising from changes in interest rates, currency rates or other factors of a prescribed description.

The principal derivatives used in balance sheet risk management are interest rate swaps, interest rate options, cross currency interest rate swaps and foreign exchange contracts. These are used to hedge Group exposures arising from fixed rate mortgage lending and savings products, funding and investment activities.

The following table describes the significant activities undertaken by the Group, the related risks associated with such activities and the type of derivatives which are typically used in managing such risks after considering any offsetting risk from other activities.

Activity	Risk	Type of derivative
Management of the investment of reserves and non-interest bearing liabilities	Sensitivity to changes in interest rates	Interest rate swaps
Fixed rate savings products and debt issuance	Sensitivity to changes in interest rates	Interest rate swaps
Fixed rate mortgage lending	Sensitivity to changes in interest rates	Interest rate swaps
Management of foreign currency risk arising from investment and funding	Sensitivity to changes in foreign exchange rates	Cross currency interest rate swaps and foreign exchange contracts
Floating rate liabilities	Sensitivity to changes in interest rates	Interest rate swaps and capped interest rate options

The Group's objective is to manage risk within its risk tolerance, irrespective of the accounting treatment.

Whilst all derivatives have been entered into for hedging purposes, only certain arrangements meet the conditions necessary to be designated as such for accounting purposes. In some cases, a natural offset can be achieved and hedge accounting is not required. The Group only designates derivatives in qualifying hedge accounting relationships when the hedge is expected to be highly effective.

Hedge accounting

The following table shows the balance sheet categories covered by hedge accounting relationships:

Hedge relationship	Balance sheet line item
Fair value hedge for interest rate risk	
Fixed rate mortgages	Loans and advances to customers
Fixed rate debt securities held	Debt securities
Fixed rate savings	Shares
Fixed rate debt securities issued	Debt securities in issue
Fair value hedge for interest rate and FX risk	
Fixed rate debt securities held	Debt securities
Fixed rate debt securities issued	Debt securities in issue
Cash flow hedge for interest rate risk	
Floating rate deposits	Amounts owed to credit institutions
Floating rate debt securities issued	Debt securities in issue

Interest rate risk on fixed rate mortgages and purchased debt securities (fair value)

The Group holds portfolios of long-term fixed rate mortgages and debt securities. These instruments generate fixed rate income whereas the Group liabilities are mostly floating rate. The Group manages this risk exposure by entering into pay fixed/receive floating interest rate swaps. These swaps are then designated into a fair value hedge relationship along with the issued mortgage or debt security.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component is determined as the change in fair value of the long-term fixed rate mortgages arising solely from changes in SONIA (the benchmark rate of interest). Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge under IAS 39, and its effectiveness is assessed by comparing changes in the fair value of the mortgage loan attributable to the benchmark interest rate with changes in the fair value of the interest rate swap. Quantitative testing is performed using regression analysis, with the regression slope required to fall within ranges consistent with the IAS 39 effectiveness criterion of 80-125%.

Possible sources of ineffectiveness are as follows:

- differences between the expected and actual volume of prepayments for mortgage portfolios, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience;
- difference in timing of cash flows between the mortgage loans and the interest rate swaps;
- difference in the designated coupon rate % of the hedged asset and the interest rate swaps; and
- interest rate swaps with a non-zero fair value at the date of initial designation.

The exposure from the mortgage portfolio frequently changes due to new loans being originated, contractual repayments and early prepayments made by customers in each period. To mitigate this risk, the Group enters into and tears up swap agreements with external counterparties. These interest rate swaps and the mortgage portfolio are then designated in to a fair value hedge to reduce the profit or loss volatility that would otherwise arise from changes in the fair value of the interest rate swaps alone. This hedge relationship is updated on a monthly basis for changes in the portfolio.

26. Derivative financial instruments (continued)

Interest rate risk on fixed rate savings (fair value)

The Society holds a portfolio of fixed rate savings. The Group manages this risk exposure by entering into receive fixed/pay floating interest rate swaps. Depending on availability of hedged items some of these swaps are then designated into a fair value hedge relationship along with the issued savings balance.

Only the interest rate risk element is hedged and therefore other risks are managed but not hedged by the Group. The interest rate risk component is determined as the change in fair value of the fixed rate savings arising solely from changes in SONIA (the benchmark rate of interest). 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 (the savings balance) attributable to changes in the benchmark rate of interest with changes in the fair value of the hedging instrument (interest rate swap). Quantitative testing is performed using regression analysis, with the regression slope required to fall within ranges consistent with the IAS 39 effectiveness criterion of 80-125%.

Possible sources of ineffectiveness are as follows:

- difference in timing of cash flows between the savings balance and the interest rate swaps;
- difference in the designated coupon rate % of the hedged liability and the interest rate swaps; and
- interest rate swaps with a non-zero fair value at the date of initial designation.

Foreign Exchange and Interest rate risk on fixed rate debt issuance and purchased debt securities (fair value)

The Group accesses international markets in order to obtain effective sources of liquidity and funding. As part of this process the Group issues fixed rate debt in both GBP and EUR and also purchases debt securities in other foreign currencies, such as JPY and USD. The foreign currency and interest rate risk associated with these instruments is mitigated by the use of cross currency swaps, which exchange fixed interest payments in the foreign currency for floating interest payments in GBP. The interest rate risk associated with the GBP debt is mitigated by the use of interest rate swaps which exchange fixed interest payments with variable payments. These instruments are entered into to match the maturity profile of the Group's debt instruments.

The foreign currency risk component is determined as the change in fair value of the foreign currency debt arising solely from changes in the relevant foreign currency exchange rate. The interest rate risk component is determined as the change in fair value of the debt arising solely from changes in the benchmark rate of interest. 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 debt attributable to changes in the hedged risk(s) with changes in the fair value of the swaps. Quantitative testing is performed using regression analysis, with the regression slope required to fall within ranges consistent with the IAS 39 effectiveness criterion of 80-125%.

Possible sources of ineffectiveness are as follows:

- differences in discounting approach between the hedged item and hedging instrument, including the cross-currency basis spread applied in the valuation of cross currency swaps;
- swaps with a non-zero fair value at the date of initial designation;
- difference in the designated coupon rate % of the hedged liability and the swap; and
- counterparty credit risk which impacts the value of uncollateralised cross currency swaps but not the hedged items.

Interest rate risk on floating rate debt securities issued (cash flow hedge)

The Group has applied a macro cash flow hedge in relation to a portion of its floating rate issuances, this is to hedge part of its fixed rate mortgages. These swaps are transacted prior to the mortgages completing and being recognised on the balance sheet. Until the mortgage completes the swaps are entered into macro cash flow hedges against the Group's floating rate debt securities issued.

Any movements in fair value of the swaps arising due to movements in interest rates are recognised in other comprehensive income to the extent that the hedge relationship is effective. Quantitative testing is performed using regression analysis, with the regression slope required to fall within ranges consistent with the IAS 39 effectiveness criterion of 80-125%.

This hedge relationship is updated on a monthly basis for changes in the portfolio. This hedge is terminated and inceptioned monthly to allow for new derivatives to enter the hedge and for derivatives to enter the macro fair value hedge once the mortgages have completed and are recognised on the balance sheet.

Ineffectiveness

All ineffectiveness is recorded in the income statement in *Net (losses)/gains from financial instruments held at fair value*.

The following table shows the ineffectiveness in relation to the hedge relationships designated by the Group.

	Group		Society	
	2025 £m	2024 £m	2025 £m	2024 £m
Fair value hedges				
Fixed rate mortgages	(23.5)	40.8	(23.5)	40.8
Fixed rate debt securities held	(5.5)	1.2	(5.5)	1.2
Fixed rate savings	7.7	(21.0)	7.7	(21.0)
Fixed rate debt securities issued	(0.1)	0.7	(4.0)	10.6
Cash flow hedges				
Floating rate debt securities issued	(8.6)	(0.5)	(8.6)	(0.5)
Total	(30.0)	21.2	(33.9)	31.1

Interest rates used to determine fair values which are linked to BoE base rate have fallen throughout the year driven by a 1% reduction in BoE base rate. This large change in rates has had an adverse effect on the designated hedges, increasing ineffectiveness. In addition, a large compression project has taken place across the year removing derivative balances of c.£15.3bn. Swap compression is a mechanism that eliminates an existing cleared swap by executing an offsetting swap with matching terms but the opposite pay/receive direction. This process terminates the original contract and reduces the number of swaps recognised on the balance sheet. Overall, the impact of these compressions is minimal, though the removal of swaps does impact ineffectiveness, amortisation adjustments and unmatched derivative movements.

26. Derivative financial instruments (continued)**Ineffectiveness (continued)**

The following tables summarise the notional and fair value of all derivative financial instruments and the hedge relationships in place at that date.

	Contract/ Notional amount	Fair values		Change in fair value used for calculating ineffectiveness
	£m	Assets £m	Liabilities £m	£m
Group				
At 31 December 2025				
Interest rate risk				
Interest rate swaps designated as fair value hedges	35,255.8	571.9	168.3	(491.2)
Interest rate swaps designated as cash flow hedges	1,922.2	0.1	3.2	(22.6)
Interest rate and FX risk				
Cross currency interest rate swaps designated as fair value hedges	2,872.8	86.6	100.6	31.6
Derivatives not designated as hedges:				
Interest rate swaps	9,524.1	19.8	13.9	n/a
Foreign exchange	49.1	0.5	–	n/a
Total derivative financial instruments	49,624.0	678.9	286.0	(482.2)
Society				
At 31 December 2025				
Interest rate risk				
Interest rate swaps designated as fair value hedges	35,255.8	571.9	168.3	(491.2)
Interest rate swaps designated as cash flow hedges	1,922.2	0.1	3.2	(22.6)
Interest rate and FX risk				
Cross currency interest rate swaps designated as fair value hedges	1,043.1	42.7	37.5	22.6
Derivatives not designated as hedges:				
Interest rate swaps	15,300.1	19.8	13.9	n/a
Foreign exchange	49.1	0.5	–	n/a
Total derivative financial instruments	53,570.3	635.0	222.9	(491.2)

The expected future cash flows have been discounted using the Overnight Indexed Swap (OIS) curve (SONIA) for all derivatives.

Credit risk on derivative exposures is significantly mitigated within the Group by the existence of a Credit Support Annex (CSA) with the vast majority of the Group's derivative counterparties. Under a CSA, cash is passed between parties to mitigate the counterparty risk inherent in the outstanding positions. Where cash collateral is received, to mitigate the risk inherent in amounts due to the Group, it is included as a liability within amounts owed to credit institutions. Where cash collateral is given, it is included as an asset in loans and advances to credit institutions. Credit risk is also mitigated by the use of central counterparties (CCPs) for eligible derivatives.

	Contract/ Notional amount	Fair values		Change in fair value used for calculating ineffectiveness
	£m	Assets £m	Liabilities £m	£m
Group				
At 31 December 2024				
Interest rate risk				
Interest rate swaps designated as fair value hedges	44,890.8	1,273.7	206.9	(103.7)
Interest rate swaps designated as cash flow hedges	1,530.0	18.3	–	8.8
Interest rate and FX risk				
Cross currency interest rate swaps designated as fair value hedges	2,964.6	100.7	262.4	58.4
Derivatives not designated as hedges:				
Interest rate swaps	14,341.0	66.5	86.5	n/a
Foreign exchange	92.9	7.7	–	n/a
Total derivative financial instruments	63,819.3	1,466.9	555.8	(36.5)
Society				
At 31 December 2024				
Interest rate risk				
Interest rate swaps designated as fair value hedges	44,890.8	1,273.7	206.9	(103.7)
Interest rate swaps designated as cash flow hedges	1,530.0	18.3	–	8.8
Interest rate and FX risk				
Cross currency interest rate swaps designated as fair value hedges	1,721.7	100.7	136.2	22.9
Derivatives not designated as hedges:				
Interest rate swaps	22,593.0	66.5	86.5	n/a
Foreign exchange	83.0	6.8	–	n/a
Total derivative financial instruments	70,818.5	1,466.0	429.6	(72.0)

26. Derivative financial instruments (continued)

The following tables show the maturity profile, by notional amount, of the hedging instruments designated in hedge relationships used in the Group's hedge accounting strategies:

Group and Society	Repayable up to three years £m	In more than three years but less than five years £m	Over five years £m	Total £m
At 31 December 2025				
Interest rate swaps (pay fixed)	1,812.7	109.5	–	1,922.2
Total cash flow hedges	1,812.7	109.5	–	1,922.2
At 31 December 2024				
Interest rate swaps (pay fixed)	1,095.0	150.0	285.0	1,530.0
Total cash flow hedges	1,095.0	150.0	285.0	1,530.0
Group	Repayable up to three years £m	In more than three years but less than five years £m	Over five years £m	Total £m
At 31 December 2025				
Interest rate swaps (pay fixed)	20,722.8	5,264.4	1,353.8	27,341.0
Interest rate swaps (receive fixed)	7,614.8	300.0	–	7,914.8
Cross currency interest rate swaps	1,770.0	588.4	514.4	2,872.8
Total fair value hedges	30,107.6	6,152.8	1,868.2	38,128.6
At 31 December 2024				
Interest rate swaps (pay fixed)	24,778.6	6,395.1	1,246.5	32,420.2
Interest rate swaps (receive fixed)	11,880.6	590.0	–	12,470.6
Cross currency interest rate swaps	1,390.3	1,081.2	493.1	2,964.6
Total fair value hedges	38,049.5	8,066.3	1,739.6	47,855.4
Society	Repayable up to three years £m	In more than three years but less than five years £m	Over five years £m	Total £m
At 31 December 2025				
Interest rate swaps (pay fixed)	20,722.8	5,264.4	1,353.8	27,341.0
Interest rate swaps (receive fixed)	7,614.8	300.0	–	7,914.8
Cross currency interest rate swaps	898.7	65.6	78.8	1,043.1
Total fair value hedges	29,236.3	5,630.0	1,432.6	36,298.9
At 31 December 2024				
Interest rate swaps (pay fixed)	24,778.6	6,395.1	1,246.5	32,420.2
Interest rate swaps (receive fixed)	11,880.6	590.0	–	12,470.6
Cross currency interest rate swaps	976.0	666.9	78.8	1,721.7
Total fair value hedges	37,635.2	7,652.0	1,325.3	46,612.5

The following table shows the average price/rate of the hedging instruments by maturity used in the Group's hedge accounting strategies:

Group and Society	Repayable up to three years	2025 In more than three years but less than five years	Over five years	Repayable up to three years	2024 In more than three years but less than five years	Over five years
Average fixed interest rate – Fair value hedges						
Interest rate swaps (pay fixed)	2.76	3.69	2.65	2.66	3.91	2.44
Interest rate swaps (receive fixed)	3.83	3.51	–	4.45	2.69	–
Cross currency interest rate swaps	0.76	3.72	3.85	0.66	0.63	2.66
Average fixed interest rate – Cash flow hedges						
Interest rate swaps (pay fixed)	3.54	3.67	–	3.85	3.60	3.60
Average EUR:GBP FX rate – Fair value hedges						
Cross currency interest rate swaps	1.15	1.18	1.16	1.11	1.17	1.16
Average JPY:GBP FX rate – Fair value hedges						
Cross currency interest rate swaps	154.80	–	–	156.41	–	–
Average USD:GBP FX rate – Fair value hedges						
Cross currency interest rate swaps	1.25	–	–	1.25	–	–

26. Derivative financial instruments (continued)

The following tables show the fair value hedge exposures covered by the Group's hedge accounting strategies. The change in fair value of the hedged item for calculating ineffectiveness is based on all hedge relationships designated during the year.

	Carrying amount of hedged item		Accumulated fair value adjustments on the hedged item		Change in fair value of the hedged item for calculating ineffectiveness £m
	Assets	Liabilities	Assets	Liabilities	
	£m	£m	£m	£m	
Group					
At 31 December 2025					
Fixed rate mortgages (interest rate risk)	24,174.3	–	22.1	–	476.8
Fixed rate debt securities held (interest rate and FX risk)	3,514.3	–	(213.5)	–	75.0
Fixed rate savings (interest rate risk)	–	6,014.5	–	(27.3)	(24.5)
Fixed rate debt securities issued (interest rate and FX risk)	–	4,302.1	–	109.0	(86.0)
Society*					
At 31 December 2025					
Fixed rate mortgages (interest rate risk)	24,174.3	–	22.1	–	476.8
Fixed rate debt securities held (interest rate and FX risk)	3,514.3	–	(213.5)	–	75.0
Fixed rate savings (interest rate risk)	–	6,014.5	–	(27.3)	(24.5)
Fixed rate debt securities issued (interest rate and FX risk)	–	2,449.8	–	72.0	(75.3)
Group					
At 31 December 2024					
Fixed rate mortgages (interest rate risk)	29,161.9	–	(454.7)	–	160.7
Fixed rate debt securities held (interest rate and FX risk)	3,706.7	–	(287.4)	–	(35.7)
Fixed rate savings (interest rate risk)	–	10,493.7	–	1.0	(1.0)
Fixed rate debt securities issued (interest rate and FX risk)	–	4,096.6	–	195.0	(60.0)
Society*					
At 31 December 2024					
Fixed rate mortgages (interest rate risk)	29,161.9	–	(454.7)	–	160.7
Fixed rate debt securities held (interest rate and FX risk)	3,706.7	–	(287.4)	–	(35.7)
Fixed rate savings (interest rate risk)	–	10,493.7	–	1.0	(1.0)
Fixed rate debt securities issued (interest rate and FX risk)	–	2,844.9	–	147.3	(14.6)

* For Society the exposure to mortgages includes those within Accord Mortgages Limited as this exposure is transferred via an intercompany loan that mirrors the underlying loans in this entity.

The accumulated amount of fair value hedge adjustments remaining on the balance sheet for hedged items that have ceased to be adjusted for hedge accounting gains and losses is a loss of £1.8 million (2024: £9.1 million loss).

The following tables show the cash flow hedge exposures (gross of tax) covered by the Group's hedge accounting strategies:

Group and Society	Assets	Liabilities	Change in fair value of hedged item used for calculating ineffectiveness £m	Cash flow hedge reserve	
				Continuing hedges	Discontinued hedges
	£m	£m		£m	£m
At 31 December 2025					
Floating rate debt securities issued	–	1,922.2	13.9	–	(1.9)
At 31 December 2024					
Floating rate debt securities issued	–	1,530.0	(9.3)	–	26.4

For Society the exposure to floating rate debt includes those within White Rose Master Issuer PLC as this exposure is transferred via an intercompany loan that mirrors the underlying debt security in this entity.

The following table shows the movements in the cash flow hedge reserve during the year:

Group and Society	2025 £m	2024 £m
At 1 January	7.0	0.4
Effective portion of changes in fair value of interest rate swaps:		
Floating rate debt securities issued	(16.7)	5.7
Amounts reclassified from reserves to income statement:		
Floating rate debt securities issued	2.8	3.5
Taxation	3.9	(2.6)
At 31 December	(3.0)	7.0

27. Liquidity risk

Liquidity risk is an intrinsic part of the Society's business as long-term mortgages are funded by short-term retail customer balances. Most mortgages have a contractual maturity date of around 25 years but in practice are frequently repaid early; currently the estimated average life of a mortgage is approximately five years. Conversely, experience shows that retail deposits, nominally repayable on demand or with short notice periods, actually remain with the Society for relatively long periods. It is this inherent mismatch in the maturity profiles of retail assets and liabilities that creates liquidity risk.

The Society's liquidity management policy is designed to ensure the maintenance of adequate investments in liquid assets to cover statutory, regulatory and operational requirements. The primary function of liquidity is the provision of sufficient assets in realisable form to ensure that the Society is able to meet its liabilities as they arise and to absorb potential cash flow requirements created by the maturity mismatches referred to above or by a liquidity stress scenario.

The Society's liquidity management comprises the following key areas:

- At the highest level, the Society manages its liquidity levels to ensure compliance with the Overall Liquidity Adequacy Rule, as set out by the PRA in Chapter 2 of the Internal Liquidity Adequacy Assessment part of the PRA Rulebook (ILAA rules).
- Limits are established by the Board that govern the quantity, quality and marketability of and returns from the Society's portfolio of liquidity investments. The portfolio is managed by the Treasury function, monitored by the first and second line risk functions and overseen by the Asset and Liability Committee (ALCO) under a series of delegated authorities.
- The Society conducts a series of daily stress tests that are designed to ensure that its liquidity is sufficient to meet its cash flow needs under any one of a number of adverse scenarios should they arise. The scenarios include ones caused by both Society-specific and general market events, and incorporate both severe retail savings outflows and the unavailability of wholesale funding. They are constructed on various timescales as far out as three months. These scenarios are updated and approved by the Board annually through the Internal Liquidity Adequacy Assessment Process (ILAAP).
- The Society also manages liquidity in line with prevailing regulatory requirements, namely the Liquidity Coverage Ratio (LCR), as prescribed under the PRA Rulebook, Liquidity Coverage Ratio (CRR) part. The LCR measures the quantity of High Quality Liquid Assets (HQLA) against net liquidity outflows over a 30 day period. YBS currently reports to the PRA on a monthly basis with 238.7% reported for December 2025 month end. For comparison, as at 31 December 2024 this was 202.7%. These ratios are unaudited.
- The Society monitors and reports its Net Stable Funding Ratio (NSFR), which is a longer term measure of the stability of the Society's funding sources relative to the assets being funded. The Society's NSFR as at 31 December 2025 was 156.65% (2024: 152.39%) and was therefore in excess of the regulatory minimum of 100%. These ratios are unaudited.
- The Society has also implemented internal backstop limits for liquidity, to mitigate the potential risk of liquidity levels under a risk-based approach being able to be reduced to below what is considered a minimum appropriate level for the Society. These backstop limits are linked to balance sheet size.
- The liquidity position of the Society is forecast across the next two years and measured against forecasts of the liquidity requirements on both a regulatory and internal basis. This is to ensure that the short-term plans of the Society do not lead to liquidity limits being breached and the financial sustainability of the organisation being threatened.

The above metrics are the key elements of the suite of measures by which the Society actively seeks to manage its liquidity position, along with other complimentary metrics which are included within the Society's risk appetite framework.

Liquidity risk in subsidiary companies, with the exception of other deposits, is mitigated by the use of appropriate intercompany loans and deposits.

Pledged assets

The Society's asset backed funding programmes, reported within debt securities in issue (see Note 21) are secured against certain loans and advances to customers.

In addition, as part of its liquidity management, the Society enters into sale and repurchase agreements whereby the Society sells but agrees to repurchase assets at a future date. Typically this is for up to three months and for UK government securities and listed transferable debt securities. Proceeds of these sale and repurchase agreements are included within amounts owed to credit institutions.

Assets pledged are as follows:

Group	Carrying amount of encumbered assets £m	Carrying amount of unencumbered assets £m	Total £m
2025			
Liquid assets	1,370.3	12,173.8	13,544.1
Loans and advances to customers	6,329.6	45,564.2	51,893.8
Fair value adjustment for hedged risk on loans and advances to customers	–	22.1	22.1
Other assets	–	870.3	870.3
Total assets	7,699.9	58,630.4	66,330.3
2024			
Liquid assets	1,514.2	13,106.8	14,621.0
Loans and advances to customers	5,714.8	43,990.7	49,705.5
Fair value adjustment for hedged risk on loans and advances to customers	–	(454.7)	(454.7)
Other assets	–	1,672.6	1,672.6
Total assets	7,229.0	58,315.4	65,544.4

All of the assets pledged as security are shown in the balance sheet, as the Society has retained substantially all the risk and rewards of ownership.

The Society established Yorkshire Building Society Covered Bonds LLP in November 2006. The LLP provides security for issues of covered bonds made by the Society to external counterparties. As at 31 December 2025, the Society had in issue £2,950 million of Sterling denominated covered bonds, of which £1,200 million was retained, and €2,100 million of Euro denominated covered bonds.

The Group established its first securitisation programme in 2011. In 2024, a new Master Issuer securitisation structure was established, issuing £350 million A1 notes publicly with a further £350 million A1 note publicly issued in 2025. As at 31 December 2025, the Group had in issue £8,624 million of securitisation notes, of which £7,530 million were retained.

27. Liquidity risk (continued)

The tables below provide an analysis of gross contractual cashflows. The sum of the balances depicted in the analysis do not reconcile with the carrying value of the liabilities, as disclosed in the consolidated balance sheet. This is because they include estimated future interest payments calculated using balances outstanding at the balance sheet date. Amounts are allocated to the relevant maturity band based on the timing of individual contractual cashflows.

Group	Repayable on demand and up to three months £m	In more than three months but not more than one year £m	In more than one year but not more than five years £m	Over five years £m	Total £m
As at 31 December 2025					
Shares	39,176.8	10,028.0	3,660.0	48.9	52,913.7
Amounts owed to credit institutions	336.9	–	–	–	336.9
Other deposits					
Society	1,508.7	–	–	–	1,508.7
Subsidiaries	–	–	–	–	–
Debt securities in issue	37.9	505.4	3,906.8	1,428.9	5,879.0
Subordinated liabilities	–	71.7	1,541.0	–	1,612.7
Derivative financial liabilities	19.2	95.9	245.2	2.1	362.4
Total	41,079.5	10,701.0	9,353.0	1,479.9	62,613.4
As at 31 December 2024					
Shares	38,679.4	11,358.2	1,988.7	18.1	52,044.4
Amounts owed to credit institutions	1,158.9	10.1	–	–	1,169.0
Other deposits					
Society	1,191.3	5.6	–	–	1,196.9
Subsidiaries	–	–	–	–	–
Debt securities in issue	23.7	424.8	3,556.9	1,543.8	5,549.2
Subordinated liabilities	–	97.1	1,323.9	312.1	1,733.1
Derivative financial liabilities	113.8	661.2	876.1	130.4	1,781.5
Total	41,167.1	12,557.0	7,745.6	2,004.4	63,474.1

The table below analyses the Group's financial assets and liabilities into relevant maturity groupings, based on the remaining period between the balance sheet date and the contractual maturity date.

Group	Repayable on demand £m	Less than three months £m	In more than three months but not more than one year £m	In more than one year but not more than five years £m	Over five years £m	Total £m
As at 31 December 2025						
Financial assets						
Cash and balances with the Bank of England	6,043.5	–	–	–	–	6,043.5
Loans and advances to credit institutions	333.7	30.0	–	–	–	363.7
Debt securities	–	905.5	1,148.3	2,905.7	2,177.4	7,136.9
Loans and advances to customers	–	30.5	111.2	1,358.8	50,393.3	51,893.8
Fair value adjustment for hedged risk on loans and advances to customers	–	(13.5)	(20.1)	55.7	–	22.1
Derivative financial instruments	–	23.2	137.2	288.2	230.3	678.9
Total financial assets	6,377.2	975.7	1,376.6	4,608.4	52,801.0	66,138.9
Financial liabilities						
Shares	34,569.8	4,607.0	10,028.0	3,660.0	48.9	52,913.7
Fair value adjustment for hedged risk on shares	–	12.1	12.8	2.4	–	27.3
Amounts owed to credit institutions	166.5	170.4	–	–	–	336.9
Other deposits	1,093.0	415.7	–	–	–	1,508.7
Debt securities in issue	–	(5.3)	399.7	3,614.9	1,415.9	5,425.2
Derivative financial instruments	–	0.3	7.2	272.1	6.4	286.0
Subordinated liabilities	–	–	2.9	1,469.5	–	1,472.4
Total financial liabilities	35,829.3	5,200.2	10,450.6	9,018.9	1,471.2	61,970.2
As at 31 December 2024						
Financial assets						
Cash and balances with the Bank of England	5,609.7	–	–	–	–	5,609.7
Loans and advances to credit institutions	590.0	–	–	–	–	590.0
Debt securities	–	1,234.9	1,183.4	4,114.7	1,888.3	8,421.3
Loans and advances to customers	–	12.6	73.7	1,289.4	48,329.8	49,705.5
Fair value adjustment for hedged risk on loans and advances to customers	–	574.9	640.1	(1,650.2)	(19.5)	(454.7)
Derivative financial instruments	–	54.6	161.7	994.9	255.7	1,466.9
Total financial assets	6,199.7	1,877.0	2,058.9	4,748.8	50,454.3	65,338.7
Financial liabilities						
Shares	32,548.7	6,130.7	11,358.2	1,988.7	18.1	52,044.4
Fair value adjustment for hedged risk on shares	–	127.4	1,012.6	(1,139.0)	–	1.0
Amounts owed to credit institutions	708.9	450.0	10.0	–	–	1,168.9
Other deposits	842.6	348.7	5.5	–	–	1,196.8
Debt securities in issue	–	(6.1)	393.0	3,385.2	1,247.2	5,019.3
Derivative financial instruments	–	19.8	87.7	445.2	3.1	555.8
Subordinated liabilities	–	–	26.5	1,125.2	301.6	1,453.3
Total financial liabilities	34,100.2	7,070.5	12,893.5	5,805.3	1,570.0	61,439.5

28. Market risk

Market risk is the potential change to earnings and/or the value of Society's balance sheet arising from movements in interest rates, foreign currency exchange rates, and the pricing of financial instruments.

Basis Point value (BP) sensitivity

These measures calculate the change in value of the assets and liabilities resulting from both a one basis point (PV01) and 100 basis points (PV100) parallel upward shift in interest rates. Within the Treasury portfolio, this is calculated separately for each currency and reported on a daily basis and at the full Statement of Financial Position level on a monthly basis.

Repricing gap analysis

Repricing dates are analysed primarily to excessive volatility in the net interest margin that could arise if interest rates shifted adversely within a given time period. Since the Society cannot dictate interest rate movements itself, the best approach is to limit the amount of assets or liabilities that are exposed in this way. The analysis identifies the net asset/liability repricing position across a series of time intervals. Positions are calculated using nominal amounts and exclude interest flows. General reserves, fixed assets and other liabilities are classified as having 'non-specific' repricing characteristics with a zero rate of interest. The measure is calculated as a reverse cumulative gap.

All market risk is managed in the Society on behalf of the Group. PV01 is presented for the Treasury book and PV100 with respect to the full balance sheet.

	Year end £m	Average £m	Maximum £m	Minimum £m
2025				
PV01 sensitivity (Treasury)	–	–	–	–
PV100 sensitivity	(1.9)	9.4	29.9	(8.5)
2024				
PV01 sensitivity (Treasury)	0.0	0.0	0.0	0.0
PV100 sensitivity	(14.9)	9.3	21.9	(14.9)
		Greater than one year £m	Greater than five years £m	Greater than ten years £m
2025				
Repricing gap (Treasury)		–	–	–
2024				
Repricing gap (Treasury)		590	133	–

The reduction is driven by two key factors: tighter management of the Treasury gap throughout 2025, partly through the execution of amortising swaps and evidenced by improvements in the repricing gap, together with offsetting Retail positions that remained at year end due to limited hedging capacity.

Detail of how the Society manages its interest rate risk is included in the Strategic Report on pages 8 – 53.

29. Currency risk

Currency exchange risk is monitored daily and the Society seeks to minimise its net exposure to assets and liabilities denominated in currencies other than sterling. The Society's existing non-sterling liquidity portfolio and wholesale funding exposures are swapped back into sterling. The maximum month end position in 2025 represented less than 0.02% of total assets.

Actual exposures were:

Group and Society	2025 £m	2024 £m
Year end	1.0	7.2
Maximum	6.4	7.8

30. Wholesale credit risk

The Group's wholesale credit risk arises principally from assets held for liquidity purposes. The risk is that counterparties with whom the Group invests in liquid assets fail to repay those investments when they fall due. The Group, through the Treasury function, undertakes its own internal rating of all its counterparties and sets individual limits accordingly. These limits are regularly reviewed internally and against the external rating agencies, with revocation or suspension taking place where considered appropriate.

Limits are in place governing the types of instrument in which the Group will invest, as well as geographic limits designed to prevent over-exposure to a given country.

The Group uses an internal credit ratings process to identify potential risks and wholesale related credit risks are reported and discussed monthly at the Asset and Liability Committee.

Whilst recognising that exposures will be maintained across a spectrum of counterparties the Board has maintained a low risk appetite for wholesale credit risk. A diversified range of counterparties is in place to meet business and regulatory requirements in order to meet the Board approved strategies with no credit risk exposures being undertaken by Treasury to counterparties that have not been through an internal approvals process including a formal second LoD function.

The following tables break down Wholesale Group exposures by type using the composite external ratings*.

	Aaa-Aa3 £m	A1-A3 £m	Baa1-Baa3 £m	Ba1-B3 £m	Caa1-C3 £m	Unrated £m	Total £m
2025							
Central Bank and Sovereigns	8,696.0	133.0	–	–	–	–	8,829.0
Financial Institutions	4,447.9	272.3	59.4	–	–	–	4,779.6
Supranationals	614.4	–	–	–	–	–	614.4
Total	13,758.3	405.3	59.4	–	–	–	14,223.0
2024							
Central Bank and Sovereigns*	8,370.4	219.9	–	–	–	–	8,590.3
Financial Institutions	5,708.5	868.6	229.3	–	–	–	6,806.4
Supranationals*	691.2	–	–	–	–	–	691.2
Total	14,770.1	1,088.5	229.3	–	–	–	16,087.9

* Prior year numbers reclassified (total exposure remains unchanged).

30. Wholesale credit risk (continued)

The Group has a low risk appetite to exposures outside the UK. This is reflected in the country exposures by type shown in the tables below.

	Central Banks and Sovereigns £m	Financial institutions £m	Supranationals £m	Total £m
2025				
United Kingdom	8,477.4	3,660.6	–	12,138.0
Australia	–	218.5	–	218.5
Canada	–	639.1	–	639.1
France	60.7	13.5	–	74.2
Germany	218.6	–	–	218.6
Japan	72.3	59.3	–	131.6
Netherlands	–	81.7	–	81.7
Norway	–	24.3	–	24.3
Spain	–	51.3	–	51.3
Sweden	–	31.1	–	31.1
Switzerland	–	–	–	–
United States	–	0.2	–	0.2
International	–	–	614.4	614.4
Total	8,829.0	4,779.6	614.4	14,223.0
2024				
United Kingdom	8,024.5	4,370.3	–	12,394.8
Australia	–	609.5	–	609.5
Canada	–	1,111.2	–	1,111.2
France	57.8	49.0	–	106.8
Germany	288.1	–	–	288.1
Japan	219.9	196.6	–	416.5
Netherlands	–	164.4	–	164.4
Norway	–	71.2	–	71.2
Spain	–	71.2	–	71.2
Sweden	–	62.6	–	62.6
Switzerland	–	0.3	–	0.3
United States	–	100.1	–	100.1
International	–	–	691.2	691.2
Total	8,590.3	6,806.4	691.2	16,087.9

The Group's main Sovereign exposure is to the UK which had an average external rating of 'AA-'. At the year end, UK Sovereign exposure was £6,043.6 million (2024: £5,609.7 million) to the Bank of England and £2,433.8 million (2024: £2,414.8 million) in UK Government bonds.

None of the wholesale exposures are either past due or impaired and there are no assets that would otherwise be past due or impaired whose terms have been renegotiated.

The key trigger events used to evaluate impairments are set out in Note 1 on page 146.

Wholesale credit risk is recorded in the following balance sheets as below:

	2025 £m	2024 £m
Cash and balances with the Bank of England	6,043.6	5,609.7
Loans and advances to credit institutions	363.7	590.0
Debt securities	7,136.9	8,421.3
Derivative financial instruments	678.9	1,466.9
Total wholesale credit risk	14,223.1	16,087.9

31. Credit risk on loans and advances to customers**Gross contractual exposure**

The table below splits the loans and advances to customers balance per the balance sheet into its constituent parts and reconciles to the gross exposures used in the expected credit loss (ECL) model. Effective Interest Rate (EIR) and hedge accounting adjustments have been excluded from the ECL model as these do not form part of the contractual cash flows from the assets.

EIR is the measurement method used for financial assets held at amortised cost, including loans and advances to customers, which spreads income and fees over the life of the asset. See Note 1 for more details. Hedge accounting is described in more detail in Note 26. The fair value rate adjustment reflects the market value adjustment on acquired portfolios of mortgage assets in respect of interest rates on the underlying products. This is amortised over the expected life of the acquired portfolio. The fair value credit adjustment is the fair value discount applied on purchased or originated credit impaired (POCI) mortgage assets acquired as part of the Norwich & Peterborough Building Society (N&P) and Chelsea Building Society (CBS) acquisitions. Impairment represents the difference between the total ECL and the fair value credit adjustment.

ECL is calculated using models that take historical default and loss experience and apply predictions of future economic conditions (e.g. unemployment and house prices) and customer behaviour (e.g. default rates). In certain circumstances, the core models may not accurately reflect factors that have resulted in an increase in credit risk. When this happens, post model adjustments (PMAs) are overlaid to reflect the impact on ECL. The economic scenarios and the PMAs applied at 31 December 2025 are described below.

	Group 2025 £m	2024 £m	Society 2025 £m	2024 £m
Gross contractual exposures	51,950.7	49,758.5	10,373.2	10,645.7
EIR and other adjustments	28.3	29.7	(26.3)	(23.8)
Fair value rate adjustment	(20.0)	(24.1)	(20.0)	(24.1)
Gross loans and advances to customers	51,959.0	49,764.1	10,326.9	10,597.8
Impairment	(48.2)	(39.2)	(6.2)	(7.3)
Fair value credit adjustment	(17.0)	(19.4)	(17.0)	(19.4)
ECL	(65.2)	(58.6)	(23.2)	(26.7)
Loans and advances to customers	51,893.8	49,705.5	10,303.7	10,571.1

31. Credit risk on loans and advances to customers (continued)

Expected Credit Losses (ECL)

Economic scenarios

Accounting standards require ECL to be calculated by applying multiple economic scenarios. Each economic scenario is provided a weighting, and these are combined to arrive at the total ECL.

These scenarios are generated internally using external data, statistical methodologies, and senior management judgement, to span a range of plausible economic conditions. The Group continues to apply four scenarios: an upside scenario that assumes more benign economic conditions; our core or central best estimate scenario; a more negative downturn scenario; and a severe downturn scenario.

Scenarios are projected over a 5-year window, reverting to long-term averages past that point. The Group allows all macroeconomic scenarios to impact staging.

Current macroeconomic conditions

Despite the relative stability in the UK economic environment during 2025, global conflict continued throughout 2025, generating heightened economic uncertainty and risks. After almost two years of conflict, Israel and Hamas agreed a ceasefire, reducing the probability of a wider escalation in the Middle East. The war in Ukraine continues, resulting in heightened risk of energy and supply chain issues.

Global trade and protectionism have been another key theme. On 2nd April, President Trump announced wide scale tariff policy, the announcement surprising markets both in terms of severity and scope, impacting most of the World. Since the announcement, the US has made bilateral trade agreements with most countries, mitigating the impact for global growth. The biggest risk for the global economy is the trade war between the US and China, which has escalated several times throughout the year. A structural shift in global trade is likely, with China and the US reducing the reliance on one another over the coming years. Supply and demand dynamics will evolve for goods globally, which brings both risks and opportunities for the UK.

The UK economy has grown modestly in 2025, proving broadly resilient to the emergence of geopolitical uncertainty. After a strong start to the year, with GDP growth driven by services and construction, momentum slowed through the summer. Manufacturing and construction sectors were impacted by global trade uncertainty following the US tariff announcements in April, while consumer confidence remained subdued despite real wage growth. Labour market conditions have softened throughout 2025. Unemployment has risen from 4.4% at the beginning of the year to 5.1% by November. Redundancy levels have increased but not rapidly, reiterating the sense of softening rather than a deterioration in the market. Inflation has increased gradually throughout 2025. The resurgence was driven by persistent services inflation, contractual price resets and regulated price increases in April, and the unwind of energy deflation (following energy price spikes in previous years).

Monetary policy has shifted from tightening to cautious easing since the first rate cut in August 2024. The easing has been made possible by moderating inflation dynamics and increasing slack in the economy. MPC minutes throughout the year have cited a "gradual and careful" approach to easing rates, with further cuts contingent on fiscal developments and inflation trends. It has been made clear that the MPC are approaching the end of the cutting cycle, based on current trends and forecasts. One more rate cut is expected by the Bank of England, with base rate expected to stabilise at 3.5% in H1 2026.

The UK economy is expected to expand again modestly in 2026, stimulated by real earnings growth and a lower interest rate environment. Housing market activity is expected to increase relative to 2025, and house prices are expected to increase moderately.

The credit performance of our mortgage portfolio remains a core component of our established risk management framework and will continue to be monitored closely. We remain committed to supporting customers experiencing financial difficulty and will work with borrowers, where possible, to help them manage their individual circumstances.

Upside

Recovering business confidence and strong investment lead to productivity gains and strong growth. Domestic inflationary pressures fall quickly, and consumer confidence rises. The Bank of England note the slowdown of inflation and cut rates to stimulate growth. Strong consumer confidence and lower interest rates encourage strong housing market activity and house price growth.

Core

The UK economy is expected to grow moderately throughout the planning horizon. The Bank of England cut base rate once more, leaving base rate at 3.5%. Inflation remains above target for 2026 before trending back to target. The labour market stabilises, with unemployment peaking at 5.2% in 2026. Stable house price growth over the planning horizon.

Downturn

Global uncertainty stifles investment, leading to recessions globally, including a recession in the UK. The Bank of England accelerate the pace of rate cuts to stimulate the economy. Growing imbalance between supply and demand for housing leads to house price reductions.

Severe Downturn

Geopolitical tensions escalate such that oil prices spike alongside material supply chain difficulties. This leads to another round of inflation and rate hikes. A deep recession ensues, with unemployment rising and house prices falling significantly.

Macroeconomic assumptions

The following table shows the values of the key economic variables used by each economic scenario for the period until December 2030. The table includes the three key parameters used to predict probability of default (PD) – unemployment, HPI and UK Bank of England base rate. GDP is also presented as it is the key input for determining the economic parameters used and provides context to the nature of the overall scenario.

	2025 Scenario					2024 Scenario				
	2026	2027	2028	2029	2030	2025	2026	2027	2028	2029
HPI										
Upside	5.5	4.0	4.0	4.0	4.0	6.0	5.5	4.0	4.0	4.0
Core	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Downturn	(5.2)	(1.4)	1.0	1.2	1.2	(4.0)	1.0	0.5	1.2	1.2
Severe Downturn	(13.9)	(8.0)	(0.5)	6.1	3.5	(14.3)	(9.5)	(1.6)	6.1	0.5
GDP										
Upside	1.7	2.0	2.2	2.2	2.2	1.9	2.0	2.4	2.2	2.2
Core	1.0	1.3	1.4	1.5	1.5	1.3	1.5	1.6	1.6	1.7
Downturn	(2.0)	0.6	1.2	1.2	1.2	0.5	0.7	1.0	1.2	1.2
Severe Downturn	(3.5)	(1.0)	0.8	0.8	0.8	(4.5)	(1.5)	0.5	0.8	0.8
Unemployment										
Upside	4.3	4.3	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Core	5.2	5.0	4.7	4.5	4.5	4.6	4.7	4.6	4.5	4.5
Downturn	6.6	6.5	6.0	5.2	5.0	6.0	5.8	5.5	5.0	4.8
Severe Downturn	8.3	8.2	6.9	6.5	6.5	8.0	8.4	7.0	6.5	6.0
Bank base rate										
Upside	3.0	3.0	3.0	3.0	3.0	3.5	3.5	3.5	3.3	3.3
Core	3.5	3.5	3.5	3.5	3.5	4.0	3.8	3.8	3.8	3.5
Downturn	2.5	2.5	2.8	3.0	3.0	4.8	4.3	4.3	4.3	4.3
Severe Downturn	6.3	5.0	5.0	4.5	4.5	6.5	5.5	5.0	5.0	4.5

31. Credit risk on loans and advances to customers (continued)**Expected Credit Losses (ECL)** (continued)**Economic scenarios** (continued)**Macroeconomic assumptions** (continued)

The values in the table below are calculated as either a simple average of the rate across the 5 year forecasting period or as peak to trough.

	Upside		Core		Downturn		Severe Downturn	
	2025	2024	2025	2024	2025	2024	2025	2024
5 year average								
GDP	2.1	2.1	1.3	1.5	0.4	0.9	(0.4)	(0.8)
HPI	4.3	4.7	3.0	3.0	(0.6)	–	(2.6)	(3.8)
Unemployment	4.2	4.2	4.8	4.6	5.9	5.4	7.3	7.2
Bank base rate	3.0	3.4	3.5	3.8	2.8	4.4	5.1	5.3
Peak to trough								
GDP	–	–	–	–	(2.0)	–	(4.5)	(5.9)
HPI	–	–	–	–	(7.9)	(5.1)	(24.0)	(26.4)
Unemployment	4.3	4.2	5.2	4.7	6.6	6.0	8.3	9.0

Weightings

The following table shows the expected credit loss under each of the four economic scenarios along with the weightings that have been applied to arrive at the weighted average ECL. PMAs are calculated based on the weighted average ECL across the Group's economic scenarios. Given the limited size of the PMA held at 31 December 2025, no further scenario specific sensitivity has been presented.

Group	2025		2024	
	Weighting %	ECL £m	Weighting %	ECL £m
Upside	10	30.5	10	39.1
Core	60	33.9	60	41.4
Downturn	20	109.9	20	83.7
Severe Downturn	10	197.5	10	130.2
Weighted scenario	100	65.2	100	58.6

SME judgment is applied in the final assessment of weights. The Group has internal governance frameworks and controls in place to assess the appropriateness of all judgmental adjustments. The aim of the Group is to incorporate these adjustments into the ECL models, where possible, as part of the periodic recalibration and model assessment procedures.

Post model adjustments

Post model adjustments ('PMA') are applied when an increase in credit risk is identified that is not effectively captured in the core expected credit loss models. A rigorous review of the PMAs has been performed to determine whether the identified risks are still applicable, and if any additional risks have been identified. Adjustments were made to which PMAs were required and to the magnitude of those that were maintained.

The PMA working group includes colleagues from Finance, Balance Sheet Management and Credit Risk. This working group has been used to review the on-going suitability of existing PMAs and discuss whether additional PMAs are required in relation to emerging risks or issues.

The PMAs applied at 31 December 2025 are as follows:

	2025 £m	2024 £m
Affordability	0.0	1.2
Model Performance	0.0	10.6
Climate Change Risk	0.8	0.9
Total PMA	0.8	12.7

During 2024, the Group applied a number of PMAs to reflect risks not fully captured in the IFRS 9 ECL model, including affordability risks arising from high inflation and cost-of-living pressures, model performance limitations for the under-prediction in the Society's 4th generation (Gen 4) PD models which were implemented in 2023 for the first time, and other limitation related to climate risk.

Following a reduction in affordability risk as cost-of-living pressures eased, together with the implementation of IFRS 9 PD model recalibration addressing model under-prediction and scenario sensitivity, these risks are reflected within the modelled ECL in year end 31 December 2025. Accordingly, the related PMAs were released and no longer apply as at year end 31 December 2025.

At 31 December 2025, the only remaining PMA held relates to a combination of physical and transition climate risks and is not material.

31. Credit risk on loans and advances to customers (continued)**Expected Credit Losses (ECL)** (continued)**Staging and POCI**

The tables below show the staging of loans and advances plus those classed as purchased or originated credit impaired (POCI) recognised as part of the acquisitions of Norwich & Peterborough Building Society (N&P) and Chelsea Building Society (CBS). The fair value discount applied on acquisition is recognised as the fair value credit adjustment.

The Group has £247.1 million of POCI loans (2024: £290.4 million). Of these, 83% (2024: 84%) are now considered performing loans but are not permitted to be reclassified to stage 1 or 2.

Details of the movements in staging are explained in the movement analysis section of this note.

	Gross exposure		PMA	Total ECL	Coverage	Average LTV
	£m	%	£m	£m	%	%
2025						
Stage 1	48,066.3	92.5	0.4	12.0	–	52.5
Stage 2	3,058.5	5.9	0.2	24.9	0.8	44.3
Stage 3	578.8	1.1	0.2	20.2	3.5	44.7
POCI	247.1	0.5	–	8.1	3.3	36.5
Total	51,950.7	100.0	0.8	65.2	0.1	51.7

Stage 2 exposures have reduced year on year following the release of PMAs that had previously resulted in a portion of accounts being classified in Stage 2. In addition, the IFRS 9 PD model recalibration and the associated Stage 2 review have improved the identification of exposures with significant increase in credit risk. As a result, the remaining Stage 2 population has a higher average risk profile, leading to a higher ECL and coverage ratio despite the reduction in gross exposure year on year.

	Gross exposure		PMA	Total ECL	Coverage	Average LTV
	£m	%	£m	£m	%	%
2024						
Stage 1	44,489.2	89.4	2.8	7.8	–	52.1
Stage 2	4,458.8	9.0	9.6	23.5	0.5	39.3
Stage 3	520.1	1.0	0.3	16.7	3.2	44.5
POCI	290.4	0.6	–	10.6	3.7	38.6
Total	49,758.5	100.0	12.7	58.6	0.1	50.9

The cost of risk measure has been calculated using the impairment charge for the year divided by the average balance over the period, which is 0.0% for 2025. Problem loans represent the total of the Group's stage 3 balances and the non-performing portion of our POCI loans.

	2025		2024	
	£m	%	£m	%
Gross exposures				
Stage 1	48,066.3	92.5	44,489.2	89.4
Stage 2	3,058.5	5.9	4,458.8	9.0
Stage 3	578.8	1.1	520.1	1.0
POCI	247.1	0.5	290.4	0.6
Total gross exposures	51,950.7	100.0	49,758.5	100.0
Problem loans	621.3	1.2	566.9	1.1
Cost of risk	–	–	–	–
ECL and Coverage ratios				
Stage 1	12.0	–	7.8	–
Stage 2	24.9	0.8	23.5	0.5
Stage 3	20.2	3.5	16.7	3.2
POCI	8.1	3.3	10.6	3.7
Total ECL	65.2	0.1	58.6	0.1
Of which impairment	48.2	73.9	39.2	66.9
Of which fair value credit adjustment	17.0	26.1	19.4	33.1

31. Credit risk on loans and advances to customers (continued)

Expected Credit Losses (ECL) (continued)

Staging and POCI (continued)

The following table shows expected credit losses, split by impairment and fair value credit adjustments, and a best estimate of the collateral against these mortgages. The collateral is calculated as the lower of the value of the property and the outstanding loan amount so does not represent the overall value of properties backing the loans.

Group	Gross exposure		Collateral		Impairment		Fair value credit adjustment	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Stage 1	48,066.3	44,489.2	48,065.1	44,487.0	12.0	7.8	–	–
Stage 2	3,058.5	4,458.8	3,058.2	4,458.2	24.8	23.0	0.1	0.5
Less than 30 days past due	2,859.9	4,279.8	2,859.6	4,279.2	21.6	20.5	0.1	0.4
More than 30 days past due	198.6	179.0	198.6	179.0	3.2	2.5	–	0.1
Stage 3	578.8	520.1	578.7	519.0	16.0	12.8	4.2	3.9
Less than 30 days past due	250.6	234.7	250.6	234.7	2.8	2.6	0.3	0.5
30-90 days past due	115.1	96.4	115.1	96.4	1.8	1.1	0.2	0.2
More than 90 days past due	213.1	189.0	213.0	187.9	11.4	9.1	3.7	3.2
POCI	247.1	290.4	246.9	289.8	(4.6)	(4.4)	12.7	15.0
Less than 30 days past due	214.2	254.5	214.0	253.9	(4.8)	(4.9)	10.9	12.9
30-90 days past due	18.2	20.5	18.2	20.5	–	0.3	0.7	0.9
More than 90 days past due	14.7	15.4	14.7	15.4	0.2	0.2	1.1	1.2
Total	51,950.7	49,758.5	51,948.9	49,754.0	48.2	39.2	17.0	19.4

Society	Gross exposure		Collateral		Impairment		Fair value credit adjustment	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Stage 1	9,389.9	9,087.3	9,388.3	9,085.0	3.3	2.2	–	–
Stage 2	617.0	1,128.9	616.7	1,128.4	6.6	8.1	0.1	0.5
Less than 30 days past due	583.0	1,083.5	582.7	1,083.0	5.7	7.1	0.1	0.4
More than 30 days past due	34.0	45.4	34.0	45.4	0.9	1.0	–	0.1
Stage 3	119.2	139.1	119.2	138.3	0.9	1.5	4.2	3.9
Less than 30 days past due	56.0	62.9	56.0	62.9	0.3	0.3	0.3	0.6
30-90 days past due	18.9	25.6	18.9	25.6	0.1	0.1	0.2	0.2
More than 90 days past due	44.3	50.6	44.3	49.8	0.5	1.1	3.7	3.1
POCI	247.1	290.4	246.8	289.8	(4.6)	(4.5)	12.7	15.0
Less than 30 days past due	214.2	254.5	213.9	253.9	(4.8)	(4.9)	10.9	12.9
30-90 days past due	18.2	20.5	18.2	20.5	–	0.3	0.7	0.9
More than 90 days past due	14.7	15.4	14.7	15.4	0.2	0.1	1.1	1.2
Total	10,373.2	10,645.7	10,371.0	10,641.5	6.2	7.3	17.0	19.4

All accounts in stage 1 are less than 30 days past due.

Lending by type

Group	2025 %	2024 %
Percentage split of gross contractual exposure		
Residential Prime	80.4	79.9
Residential Sub-Prime/Self-Cert	0.2	0.3
Retail Buy-To-Let	14.5	15.2
Social Housing	0.1	0.2
Commercial lending (exc. Social Housing)	4.8	4.4
	100.0	100.0

Credit risk management

The *Retail and commercial credit risk* section of the *Risk management report* describes how the Group manages credit risk via a robust risk appetite, credit risk framework, governance framework and through stress testing.

The Group's exposure to mortgage related credit risk is monitored and reporting on risk exposures is provided regularly to the Group's risk committees, including analysis of mortgages in arrears and monitoring of the characteristics of the loan portfolios (e.g. geographic location and loan-to-value).

Group	2025		2024	
	Retail %	Commercial %	Retail %	Commercial %
Arrears				
No arrears	97.7	99.5	98.0	98.8
Less than three months	1.9	0.4	1.7	1.1
Equal to or more than three months, less than six months	0.2	–	0.2	–
Equal to or more than six months, less than twelve months	0.1	–	0.1	–
Twelve months or more	0.1	–	–	–
Property in possession	0.0	0.1	–	0.1
Total gross exposure (contractual amounts)	100.0	100.0	100.0	100.0
Number of properties in possession at the year end	141	–	111	–

The percentage of retail mortgages with arrears of three months or more (as a % of outstanding balances, including possessions) has increased during 2025 from 0.43% to 0.46%. The modest increase in retail mortgages arrears during 2025 reflects our continued purpose aligned lending strategy to support first time buyers, including those with higher LTVs. We may continue to see convergence between YBS Retail arrears and the UK finance market average during 2026.

The UK Finance industry average ratio for mortgage arrears is measured using the number of accounts (including possessions). On this basis, the Group's retail mortgage arrears ratio of 0.52% (2024: 0.50%) is below the UK Finance ratio 0.88% (2024: 0.97%). Arrears on more recent lending are minimal, reflecting the Group's credit risk appetite.

Arrears for the buy-to-let portfolio is also lower than average with an arrears ratio of 0.32% (2024: 0.27%) with an average LTV of 54.9% (2024: 60%) for this cohort.

Society	2025 %	2024 %
Arrears		
No arrears	97.4	97.5
Less than three months	1.8	1.8
Equal to or more than three months, less than six months	0.3	0.3
Equal to or more than six months, less than twelve months	0.2	0.2
Twelve months or more	0.1	0.1
Property in possession	0.2	0.1
Total	100.0	100.0
Number of properties in possession at the year end	86	67

31. Credit risk on loans and advances to customers (continued)**Retail mortgage lending**

The Group's retail mortgage exposure can be broken down by customer type and geographical region as follows:

Group	Book		New lending	
	2025	2024	2025	2024
Retail Mortgage Customer Type	%	%	%	%
First-time buyer	24.3	23.8	26.9	24.1
Other buyers e.g. movers	34.4	34.6	33.1	32.5
Re-mortgage	26.0	25.6	30.7	31.8
Buy-to-let	15.3	16.0	9.3	11.6
	100.0	100.0	100.0	100.0

Retail Mortgage Geographical Distribution	2025		2024	
	%	%	%	%
Scotland			6.8	6.6
North East			3.2	3.2
Yorkshire & Humberside			7.9	8.0
North West			10.3	10.2
Midlands			13.3	13.1
East			11.1	11.0
South West			7.5	7.5
Greater London			17.6	18.2
South East			18.0	18.0
Wales & Northern Ireland			4.3	4.2
			100.0	100.0

The Group's retail mortgages are secured on property. The value of these properties is updated on a quarterly basis using the Office for National Statistics (ONS) regional property price indices which comprise relative house price movements across the UK. These indexed valuations provide senior management with a view of the value and risk of the properties on which retail mortgages are secured.

Group	Book		New lending	
	2025	2024	2025	2024
Loan-to-value distribution of retail mortgages	%	%	%	%
100% or greater	–	–	–	–
95 to 100%	0.4	0.4	1.8	0.9
90 to 95%	2.4	2.8	9.3	6.8
85 to 90%	6.9	6.2	21.7	19.8
80 to 85%	9.6	7.9	19.7	19.1
75 to 80%	9.0	8.0	9.8	9.9
70 to 75%	9.9	9.7	11.4	12.1
60 to 70%	18.0	19.2	9.0	10.4
Less than 60%	43.8	45.8	17.3	21.0
	100.0	100.0	100.0	100.0
Average LTV (all retail)	51.7	50.9	74.0	71.4
Average LTV (buy-to-let)	54.9	55.4	64.4	59.8

Group	2025		2024	
	Not impaired	Impaired	Not impaired	Impaired
Loan-to-value distribution of retail mortgages	%	%	%	%
100% or greater	–	–	–	–
95 to 100%	0.4	–	0.4	–
90 to 95%	2.4	–	2.8	–
85 to 90%	6.9	–	6.2	–
80 to 85%	9.5	0.1	7.9	0.1
75 to 80%	8.9	0.1	7.9	0.1
70 to 75%	9.8	0.1	9.6	0.1
60 to 70%	17.8	0.2	18.9	0.3
Less than 60%	42.7	1.1	44.6	1.1
	98.4	1.6	98.3	1.7

The definition of default/impaired includes accounts that are 90 days past due, interest only accounts past term end, those under certain forbearance measures and others exhibiting other unlikelihood to pay indicators. Accounting standards require accounts considered to be credit impaired at the time of business combinations (POCI) to be classed as impaired until de-recognition.

31. Credit risk on loans and advances to customers (continued)**Commercial lending**

The Group offers commercial lending through the YBS brand, providing loans to commercial owner occupiers and corporate entity landlords of commercial and residential property. The majority of loans are advanced against commercial properties using a vacant possession valuation to mitigate against future losses. Loans against specialist properties are strictly limited and no lending is given against land only.

The valuations of commercial properties are updated on a quarterly basis using MSCI's commercial property price indices based on region and property type. Residential valuations are indexed using the regional ONS house price indices. The indexed valuations are used to assess the risk of loss on individual loans and to monitor whether loan-to-value covenants are met. Where borrowers are more than two months in arrears, consideration is given to obtaining a professional valuation of the property.

Group and Society	2025	2024
Average loan to value (%)	57.1	58.3
Average loan size (£m)	0.9	0.8
Value of security held (£m)	4,091.8	3,641.3
Balance of loans >100% LTV (£m)	10.6	28.2
Largest exposure to a single counterparty (£m)	20.0	20.0

At the year ended 2025 0.16% (2024: 0.54%) of commercial balances (including repossessions) were more than three months in arrears.

'Watch list' loans include those where there are circumstances which could impact on the quality and recoverability of the loan. Examples include borrowers requesting forbearance or reporting trading losses. Loans on the watch list total decreased to £62.2 million in 2025 (2024: £69.3 million).

Corporate buy-to-let loans increased to £1926.9 million (2024: £1,632.8 million) and these loans are mainly interest only. They are continuously monitored to ensure that full repayment is made on the expiry of the loan term.

Group and Society	2025 %	2024 %
Commercial mortgage balances by geographical region		
North East	0.5	0.5
Yorkshire & Humberside	2.4	2.1
North West	4.6	4.6
Midlands	6.2	5.9
East	3.2	2.8
South West	6.1	6.5
Greater London	49.1	49.6
South East	26.7	26.9
Wales & Northern Ireland	1.2	1.1
	100.0	100.0
Commercial mortgage balances by lending type		
Commercial owner occupied	1.5	1.9
Commercial investment property	19.9	22.9
Corporate Buy-To-Let	75.8	70.9
Social Housing	2.8	4.3
	100.0	100.0

The Group has an active business lending to housing associations in England and Wales, via the Yorkshire Building Society brand. This sector has particularly robust credit characteristics and the lending is low risk albeit at low margins. At 31 December 2025 this loan book was £71.6 million (2024: £97.6 million). The Group has written further undrawn Term Loan/Revolving Credit facilities in the region of £102.7 million (2024: £105.8 million) and these are expected to draw down over the next 5 years.

31. Credit risk on loans and advances to customers (continued)**Risk assessment**

The following tables are included to give an overview of the Group's credit risk. This includes analysis of exposures by 12 month probability of default (PD) bands and origination year.

The risk models cover the majority of loans underwritten by the Group, with exceptions for portfolios subject to bespoke modelling requirements including Accord buy-to-let, commercial lending and POCI accounts. The Accord BTL population currently has very strict underwriting criteria and limited behavioural history, with only a single possession to date. Commercial lending has significantly different behavioural characteristics to the retail mortgages.

In year ended 2025, exposures are allocated to PD bands using a recalibrated IFRS 9 PD model. The prior year numbers did not reflect the impact of PD related PMA applied in 2024. As a result, a smaller proportion of exposures falls within the lowest PD band in 2025.

Lending by risk grade

Group	2025						2024	
	Stage 1	Stage 2	Stage 3	POCI	Total exposure	ECL	Total exposure	ECL
PD Band	£m	£m	£m	£m	£m	£m	£m	£m
0.00%–<0.15%	6,869.7	43.8	0.1	–	6,913.6	0.3	29,258.4	0.8
0.15%–<0.25%	9,497.6	29.2	–	–	9,526.8	0.5	4,703.9	0.5
0.25%–<0.50%	12,416.2	126.8	–	–	12,543.0	1.5	1,531.7	0.3
0.50%–<0.75%	4,811.4	106.3	–	–	4,917.7	1.3	1,021.6	0.3
0.75%–<1.00%	1,708.5	82.0	–	–	1,790.5	0.8	1,042.5	0.5
1.00%–<2.50%	2,699.1	757.7	–	–	3,456.8	3.6	1,396.2	2.7
2.50%–<10.0%	609.8	1,171.7	–	–	1,781.5	9.7	364.3	2.4
10.0%–<100%	70.7	423.7	–	–	494.4	7.8	173.2	2.5
Default	–	–	563.0	36.9	599.9	21.1	541.1	17.2
Accord buy-to-let	6,971.8	177.2	14.5	–	7,163.5	4.9	7,159.6	4.8
Commercial	2,339.7	126.2	1.2	5.5	2,472.6	6.8	2,205.8	7.4
Other	71.8	13.9	–	204.7	290.4	6.2	360.2	7.9
PMAs	–	–	–	–	–	0.7	–	11.3
Total	48,066.3	3,058.5	578.8	247.1	51,950.7	65.2	49,758.5	58.6

Society	2025						2024	
	Stage 1	Stage 2	Stage 3	POCI	Total exposure	ECL	Total exposure	ECL
PD Band	£m	£m	£m	£m	£m	£m	£m	£m
0.00%–<0.15%	1,736.9	28.6	–	–	1,765.5	–	6,029.0	0.2
0.15%–<0.25%	2,295.9	18.0	–	–	2,313.9	0.1	801.0	0.2
0.25%–<0.50%	1,868.5	57.7	–	–	1,926.2	0.2	253.3	0.1
0.50%–<0.75%	409.1	31.6	–	–	440.7	0.1	193.3	0.1
0.75%–<1.00%	129.7	18.4	–	–	148.1	0.1	195.2	0.2
1.00%–<2.50%	308.8	137.9	–	–	446.7	0.4	297.0	0.7
2.50%–<10.0%	186.5	125.7	–	–	312.2	1.1	85.5	0.7
10.0%–<100%	42.8	59.0	–	–	101.8	1.3	57.5	0.9
Default	–	–	118.0	36.9	154.9	6.7	169.5	6.4
Commercial	2,339.3	126.1	1.2	5.5	2,472.1	6.8	2,205.3	7.4
Other	72.4	14.0	–	204.7	291.1	6.2	359.1	8.2
PMAs	–	–	–	–	–	0.2	–	1.6
Total	9,389.9	617.0	119.2	247.1	10,373.2	23.2	10,645.7	26.7

Lending by origination year

The table below shows exposures and expected credit losses by origination year for retail loans. The table shows that the credit quality of newly written business is of significantly higher quality than that written before 2009 or acquired as part of business combinations.

Group	2025						2024	
	Stage 1	Stage 2	Stage 3	POCI	Total exposure	ECL	Total exposure	ECL
Origination Year	£m	£m	£m	£m	£m	£m	£m	£m
2025	9,342.0	274.0	31.7	–	9,647.7	5.8	–	–
2024	8,327.0	448.3	43.6	–	8,818.9	9.8	9,501.2	4.6
2023	6,425.9	457.9	62.8	–	6,946.6	11.0	8,542.4	7.3
2022	7,047.5	390.3	66.2	–	7,504.0	8.1	8,191.6	7.3
2013 – 2021	15,174.5	1,062.5	211.3	–	16,448.3	12.7	20,404.7	17.8
2009 – 2012	566.4	34.2	8.1	–	608.7	0.1	735.8	0.3
Pre-2009	585.7	248.3	92.9	–	926.9	3.2	1,115.6	3.8
Acquired loans	597.3	143.0	62.2	247.1	1,049.6	14.5	1,267.2	17.5
Total	48,066.3	3,058.5	578.8	247.1	51,950.7	65.2	49,758.5	58.6

For 2009 and post lending, the average indexed LTV is 54.9% and the 90 days plus arrears rate is 0.3%. For Lending prior to 2009 the average indexed LTV is 24.0% and the 90 days arrears rate is 3.9%.

31. Credit risk on loans and advances to customers (continued)**Movement analysis**

The tables on pages 212 to 215 detail the movement in the gross exposures and ECL from the beginning to the end of the reporting period split by stage.

During 2024, a level of PD underprediction was identified in the Gen4 models and a PMA had been applied to uplift PD estimates and was used in the calculation of staging and ECL.

Following recalibration of the model during 2025, the updated Gen4 models appropriately capture the underlying credit risk without the need for a PMA. Accordingly, this PMA was released and does not apply at year end 31 December 2025.

The following tables detail the movement in the gross exposures and ECL from the beginning to the end of the reporting period split by class of financial instrument.

Group	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Gross exposure at 31 December 2024	44,489.2	4,458.8	520.1	290.4	49,758.5
Transfers from stage 1 to 2	(1,489.4)	1,489.4	-	-	-
Transfers from stage 1 to 3	(123.3)	-	123.3	-	-
Transfers from stage 2 to 1	949.9	(949.9)	-	-	-
Transfers from stage 2 to 3	-	(133.1)	133.1	-	-
Transfers from stage 3 to 1	44.8	-	(44.8)	-	-
Transfers from stage 3 to 2	-	75.5	(75.5)	-	-
Changes to carrying value	268.3	(1,629.7)	21.3	(10.0)	(1,350.1)
New financial assets originated or purchased	9,574.8	-	-	-	9,574.8
Financial assets derecognised during the year	(5,648.0)	(252.5)	(86.7)	(31.6)	(6,018.8)
Write-offs	-	-	(12.0)	(1.7)	(13.7)
Gross exposure at 31 December 2025	48,066.3	3,058.5	578.8	247.1	51,950.7
ECL at 31 December 2024	7.8	23.5	16.7	10.6	58.6
Transfers from stage 1 to 2	(0.2)	13.3	-	-	13.1
Transfers from stage 1 to 3	-	-	4.0	-	4.0
Transfers from stage 2 to 1	0.6	(4.6)	-	-	(4.0)
Transfers from stage 2 to 3	-	(1.4)	4.1	-	2.7
Transfers from stage 3 to 1	0.1	-	(0.7)	-	(0.6)
Transfers from stage 3 to 2	-	0.5	(0.9)	-	(0.4)
Changes in PDs/LGDs/EADs	(2.7)	(5.3)	1.6	(1.1)	(7.5)
New financial assets originated or purchased	6.6	-	-	-	6.6
Changes to model assumptions and methodologies	0.2	0.4	0.3	0.2	1.1
Unwind of discount	-	-	0.6	0.2	0.8
Financial assets derecognised during the year	(0.3)	(1.5)	(2.8)	(1.4)	(6.0)
Write-offs	-	-	(2.6)	(0.5)	(3.1)
PMA	(0.1)	-	(0.1)	0.1	(0.1)
ECL at 31 December 2025	12.0	24.9	20.2	8.1	65.2

Group	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Gross exposure at 31 December 2023	41,597.7	4,521.8	409.4	339.7	46,868.6
Transfers from stage 1 to 2	(2,828.0)	2,828.0	-	-	-
Transfers from stage 1 to 3	(118.7)	-	118.7	-	-
Transfers from stage 2 to 1	605.9	(605.9)	-	-	-
Transfers from stage 2 to 3	-	(128.8)	128.8	-	-
Transfers from stage 3 to 1	30.9	-	(30.9)	-	-
Transfers from stage 3 to 2	-	57.0	(57.0)	-	-
Changes to carrying value	561.9	(1,977.9)	20.4	(10.8)	(1,406.4)
New financial assets originated or purchased	9,401.9	-	-	-	9,401.9
Financial assets derecognised during the year	(4,762.4)	(235.4)	(62.0)	(36.8)	(5,096.6)
Write-offs	-	-	(7.3)	(1.7)	(9.0)
Gross exposure at 31 December 2024	44,489.2	4,458.8	520.1	290.4	49,758.5
ECL at 31 December 2023	8.5	26.5	13.8	11.2	60.0
Transfers from stage 1 to 2	(0.2)	7.1	-	-	6.9
Transfers from stage 1 to 3	-	-	3.4	-	3.4
Transfers from stage 2 to 1	0.5	(3.8)	-	-	(3.3)
Transfers from stage 2 to 3	-	(1.7)	4.5	-	2.8
Transfers from stage 3 to 1	-	-	(0.5)	-	(0.5)
Transfers from stage 3 to 2	-	0.3	(0.9)	-	(0.6)
Changes in PDs/LGDs/EADs	(1.8)	3.6	2.1	1.1	5.0
New financial assets originated or purchased	2.9	-	-	-	2.9
Changes to model assumptions and methodologies	(1.6)	(3.6)	(3.2)	(0.7)	(9.1)
Unwind of discount	-	-	0.5	0.3	0.8
Financial assets derecognised during the year	(0.3)	(1.4)	(2.4)	(1.2)	(5.3)
Write-offs	-	-	(1.3)	(0.1)	(1.4)
PMA	(0.2)	(3.5)	0.7	-	(3.0)
ECL at 31 December 2024	7.8	23.5	16.7	10.6	58.6

31. Credit risk on loans and advances to customers (continued)**Movement analysis** (continued)

Society	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Gross exposure at 31 December 2024	9,087.3	1,128.9	139.1	290.4	10,645.7
Transfers from stage 1 to 2	(298.8)	298.8	–	–	–
Transfers from stage 1 to 3	(19.0)	–	19.0	–	–
Transfers from stage 2 to 1	272.6	(272.6)	–	–	–
Transfers from stage 2 to 3	–	(26.3)	26.3	–	–
Transfers from stage 3 to 1	16.7	–	(16.7)	–	–
Transfers from stage 3 to 2	–	16.2	(16.2)	–	–
Changes to carrying value	307.3	(439.9)	(2.4)	(10.0)	(145.0)
New financial assets originated or purchased	1,252.8	–	–	–	1,252.8
Financial assets derecognised during the year	(1,229.0)	(88.1)	(24.9)	(31.6)	(1,373.6)
Write-offs	–	–	(5.0)	(1.7)	(6.7)
Gross exposure at 31 December 2025	9,389.9	617.0	119.2	247.1	10,373.2
ECL at 31 December 2024	2.2	8.6	5.4	10.5	26.7
Transfers from stage 1 to 2	(0.2)	13.4	–	–	13.2
Transfers from stage 1 to 3	–	–	4.0	–	4.0
Transfers from stage 2 to 1	0.6	(4.6)	–	–	(4.0)
Transfers from stage 2 to 3	–	(1.4)	4.1	–	2.7
Transfers from stage 3 to 1	0.1	–	(0.7)	–	(0.6)
Transfers from stage 3 to 2	–	0.5	(0.9)	–	(0.4)
Changes in PDs/LGDs/EADs	(5.8)	(8.4)	(1.7)	(1.3)	(17.2)
New financial assets originated or purchased	6.6	–	–	–	6.6
Changes to model assumptions and methodologies	0.1	0.1	0.1	0.2	0.5
Unwind of discount	–	–	0.2	0.6	0.8
Financial assets derecognised during the year	(0.3)	(1.5)	(2.8)	(1.4)	(6.0)
Write-offs	–	–	(2.6)	(0.5)	(3.1)
PMA	–	–	–	–	–
ECL at 31 December 2025	3.3	6.7	5.1	8.1	23.2

Society	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Gross exposure at 31 December 2023	9,233.4	1,294.3	133.8	339.6	11,001.1
Transfers from stage 1 to 2	(654.3)	654.3	–	–	–
Transfers from stage 1 to 3	(23.9)	–	23.9	–	–
Transfers from stage 2 to 1	148.3	(148.3)	–	–	–
Transfers from stage 2 to 3	–	(35.2)	35.2	–	–
Transfers from stage 3 to 1	10.2	–	(10.2)	–	–
Transfers from stage 3 to 2	–	15.0	(15.0)	–	–
Changes to carrying value	(8.6)	(566.5)	(1.4)	(10.7)	(587.2)
New financial assets originated or purchased	1,306.2	–	–	–	1,306.2
Financial assets derecognised during the year	(924.0)	(84.7)	(22.5)	(36.8)	(1,068.0)
Write-offs	–	–	(4.7)	(1.7)	(6.4)
Gross exposure at 31 December 2024	9,087.3	1,128.9	139.1	290.4	10,645.7
ECL at 31 December 2023	2.8	11.4	5.4	11.2	30.8
Transfers from stage 1 to 2	(0.2)	7.6	–	–	7.4
Transfers from stage 1 to 3	–	–	3.4	–	3.4
Transfers from stage 2 to 1	0.2	(3.8)	–	–	(3.6)
Transfers from stage 2 to 3	–	(1.8)	4.5	–	2.7
Transfers from stage 3 to 1	–	–	(0.5)	–	(0.5)
Transfers from stage 3 to 2	–	0.3	(0.9)	–	(0.6)
Changes in PDs/LGDs/EADs	(2.8)	1.2	(2.4)	0.7	(3.3)
New financial assets originated or purchased	2.9	–	–	–	2.9
Changes to model assumptions and methodologies	(0.4)	(1.3)	(1.0)	(0.8)	(3.5)
Unwind of discount	–	–	0.4	0.7	1.1
Financial assets derecognised during the year	(0.3)	(1.4)	(2.4)	(1.2)	(5.3)
Write-offs	–	–	(1.3)	(0.1)	(1.4)
PMA	–	(3.6)	0.2	–	(3.4)
ECL at 31 December 2024	2.2	8.6	5.4	10.5	26.7

31. Credit risk on loans and advances to customers (continued)

Forbearance

Forbearance tools are used, in line with industry guidance, where they are deemed appropriate for an individual customer's circumstances. These include capitalisation, interest only concessions, arrears arrangements and term extensions. Forbearance measures are incorporated into the calculation of ECLs.

The table below shows the retail accounts that are forborne. These accounts have been further classified as follows:

- non-performing – where an account meets the definition of default at the point it is granted a forbearance measure; and
- probationary – for accounts that have exited forbearance measures and been re-classed from non-performing in the last 2 years.

The definition of non-performing and stage 3 are aligned such that no accounts in stage 2 are classed as non-performing. Any accounts that were previously in default have a cure period of 12 months, after which they are able to move back into stage 2 or 1.

Group	Arrangements		Other concessions		Term extension		Interest only	
	Exposure £m	ECL £m	Exposure £m	ECL £m	Exposure £m	ECL £m	Exposure £m	ECL £m
2025								
Probation	52.1	0.3	6.7	–	53.1	0.1	10.4	–
Stage 1	14.8	–	4.2	–	35.1	–	7.4	–
Stage 2	37.3	0.3	2.5	–	18.0	0.1	3.0	–
Non-performing	286.8	10.0	18.4	1.1	40.7	0.3	14.8	0.2
Stage 3	266.5	9.3	16.6	0.9	33.3	0.3	14.1	0.2
POCI	20.3	0.7	1.8	0.2	7.4	–	0.7	–
Total	338.9	10.3	25.1	1.1	93.8	0.4	25.2	0.2
2024								
Probation	43.8	0.1	3.7	–	48.6	–	6.8	–
Stage 1	8.8	–	1.5	–	29.6	–	2.7	–
Stage 2	35.0	0.1	2.2	–	19.0	–	4.1	–
Non-performing	236.1	7.7	17.7	0.8	54.4	0.5	15.3	0.6
Stage 3	212.6	6.2	15.8	0.7	46.1	0.5	13.4	0.2
POCI	23.5	1.5	1.9	0.1	8.3	–	1.9	0.4
Total	279.9	7.8	21.4	0.8	103.0	0.5	22.1	0.6

All requests for forbearance on commercial loans are subject to full credit risk appraisal and are predominantly for a period of interest only, which allows the borrower to improve income from trading or rent receipts, pending the sale of the property. The appraisal process considers the likelihood of a loss being substantiated from any borrower granted a concession and ensures that the concession is in the interests of both the borrower and the Group. In 2025 there were 3 accounts (2024: 4) in the commercial loans portfolio subject to forbearance with a total balance of £0.5 million (2024: £2.3 million). There has been no underlying increase in the risk of the portfolio.

Loans Purchased or Originated Credit Impaired (POCI)

The table below shows the status of the Group's POCI loans and how they are distributed across loan-to-value (LTV) bands. A substantial proportion of POCI balances, were they not required to be classified as stage 3 by accounting standards, would transfer to other stages. The table below shows that 67.0% (2024: 67.5%) of balances have been fully up to date for the last 24 months and only 17.2% (2024: 16.1%) of balances would be classified as in default.

Group and Society	Up to date for the last 24 months £m	Some arrears in the last 24 months £m	Meets definition of default £m	Total £m
2025				
Gross exposure	165.5	39.1	42.5	247.1
ECL	4.2	2.1	1.8	8.1
2024				
Gross exposure	195.9	47.7	46.8	290.4
ECL	5.6	2.7	2.3	10.6
2025 LTV Split				
Less than 60%	154.5	33.7	35.2	223.4
From 60 to 70%	7.1	4.3	4.3	15.7
From 70 to 80%	2.0	1.0	1.7	4.7
From 80 to 90%	0.5	0.1	0.8	1.4
90% or greater	1.4	–	0.5	1.9
Total	165.5	39.1	42.5	247.1
2024 LTV Split				
Less than 60%	177.6	40.2	36.6	254.4
From 60 to 70%	11.6	4.7	6.6	22.9
From 70 to 80%	3.5	1.8	2.3	7.6
From 80 to 90%	1.0	0.4	0.6	2.0
90% or greater	2.2	0.6	0.7	3.5
Total	195.9	47.7	46.8	290.4

32. Fair values

Fair value is the price that would be paid upon the purchase of an asset or received upon the sale of a liability in an arm's length transaction between two entities at a specific measurement date.

Where external market prices are available these are used to determine the fair value. When these are not available internal pricing models using external market data are used. The following hierarchy is used when measuring fair value:

Level 1: Quoted prices are available for identical assets or liabilities in active markets, these are unadjusted.

Level 2: Significant inputs to the calculated fair values are taken from observable market data, other than those in Level 1. This may include direct inputs (i.e., prices) or indirect inputs (i.e., derived from prices).

Level 3: Fair value is derived from non-observable inputs and not solely based on external market data.

The table below summarises the carrying value and fair value of financial assets and liabilities measured at amortised cost as at the Balance Sheet date.

2025	Notes	Carrying value £m	Fair values Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Group						
Assets						
Cash and balances with the Bank of England	(i)	6,043.6	6,043.6	–	–	6,043.6
Loans and advances to credit institutions	(i)	363.7	–	363.7	–	363.7
Loans and advances to customers	(ii)	51,893.8	–	–	52,182.2	52,182.2
Debt securities – amortised cost		474.7	474.1	–	–	474.1
Liabilities						
Shares	(iii)	52,913.7	–	52,880.4	–	52,880.4
Amounts due to credit institutions		336.9	–	336.9	–	336.9
Other deposits		1,508.7	–	1,508.7	–	1,508.7
Debt securities in issue		5,425.2	4,468.8	972.7	–	5,441.5
Subordinated liabilities	(iv)	1,472.4	1,496.2	–	–	1,496.2
Society						
Assets						
Cash and balances with the Bank of England	(i)	6,043.6	6,043.6	–	–	6,043.6
Loans and advances to credit institutions	(i)	366.5	–	366.5	–	366.5
Loans and advances to customers	(ii)	10,303.7	–	–	10,347.6	10,347.6
Debt securities – amortised cost		8,977.5	8,985.4	–	–	8,985.4
Liabilities						
Shares	(iii)	52,913.7	–	52,880.4	–	52,880.4
Amounts due to credit institutions		336.9	–	336.9	–	336.9
Other deposits		12,278.1	–	12,278.1	–	12,278.1
Debt securities in issue		5,689.6	5,670.5	–	–	5,670.5
Subordinated liabilities	(iv)	1,472.4	1,496.2	–	–	1,496.2

- The fair values of all cash in hand, balances with the Bank of England and loans and advances to credit institutions have been measured at par as they are all due in under one year.
- The fair value of loans and advances to customers is assessed as the value of the expected future cash flows. Future cash flows are projected using contractual interest payments, contractual repayments and the expected prepayment behaviour of borrowers. The resulting expected future cash flows are discounted at current market rates to determine fair value.

For standard variable rate mortgage products, the interest rate on such products is equivalent to a current market product rate and as such the Group considers the fair value of these mortgages to be equal to their carrying value. Fixed rate mortgages have been discounted using current market product rates. The difference between book carrying value and fair value results from market rate volatility relative to the fixed rate at inception of the loan; in addition to assumptions applied in relation to redemption profiles, which are regularly reviewed and updated where necessary.

2024	Notes	Carrying value £m	Level 1 £m	Fair values Level 2 £m	Level 3 £m	Total fair value £m
Group						
Assets						
Cash and balances with the Bank of England	(i)	5,609.7	5,609.7	–	–	5,609.7
Loans and advances to credit institutions	(i)	590.0	–	590.0	–	590.0
Loans and advances to customers	(ii)	49,705.5	–	–	49,119.8	49,119.8
Debt securities – amortised cost		1,091.1	1,094.2	–	–	1,094.2
Liabilities						
Shares	(iii)	52,044.4	–	51,938.3	–	51,938.3
Amounts due to credit institutions		1,168.9	–	1,168.9	–	1,168.9
Other deposits		1,196.8	–	1,196.8	–	1,196.8
Debt securities in issue		5,019.3	4,218.8	806.8	–	5,025.6
Subordinated liabilities	(iv)	1,453.3	1,464.6	26.8	–	1,491.4
Society						
Assets						
Cash and balances with the Bank of England	(i)	5,609.7	5,609.7	–	–	5,609.7
Loans and advances to credit institutions	(i)	433.9	–	433.9	–	433.9
Loans and advances to customers	(ii)	10,571.6	–	–	10,516.3	10,516.3
Debt securities – amortised cost		11,658.8	11,622.3	–	–	11,622.3
Liabilities						
Shares	(iii)	52,044.4	–	51,938.3	–	51,938.3
Amounts due to credit institutions		1,168.9	–	1,168.9	–	1,168.9
Other deposits		14,039.4	–	14,039.4	–	14,039.4
Debt securities in issue		5,454.0	5,422.8	–	–	5,422.8
Subordinated liabilities	(iv)	1,453.3	1,464.6	26.8	–	1,491.4

- (continued) As these redemption profiles are not considered to be observable by the market, then the fair value of loans and advances to customers continues to be a Level 3 valuation technique. Overall, the fair value is greater than the carrying value by £288.4 million (2024: £585.7 million lower), which arises primarily due to the fair value gains being calculated on a lifetime basis for all mortgage accounts.
- All the Group's non-derivative financial liabilities are initially recorded at fair value less directly attributable costs and are subsequently measured at amortised cost. The only exception is where an adjustment is made to certain fixed rate shares balances that are in hedge relationships. The fair value of shares and deposits that are available on demand approximates to the carrying value. The fair value of fixed term shares and deposits is determined from the projected future cash flows from those deposits, discounted at the current market rates. In 2025, the estimated fair value of share balances, using a Level 2 method, is lower than the carrying value by £33.3 million (2024: £106.1 million lower).
- The Group's accounts include some subordinated liabilities classified as level 2 as fair values are calculated using a method based on observable market prices. The fair value of subordinated liabilities, which is a fixed rate product, is greater than the carrying value due to the volatility in market rates over the course of the year.
- The Group's accounts include investments in controlled entities and amounts owed to subsidiary undertakings, for which the carrying value is deemed a reasonable approximation of fair value.

32. Fair values (continued)

The table below classifies all financial instruments held at fair value on the face of the Group's Balance Sheet according to the method used to establish the fair value.

Group	Fair values			Total fair value £m
	Level 1 £m	Level 2 £m	Level 3 £m	
2025				
Assets				
Debt securities	28.7	–	–	28.7
Debt securities – fair value through OCI	6,633.5	–	–	6,633.5
Derivative financial instruments	–	678.9	–	678.9
Investments	–	–	0.8	0.8
Liabilities				
Derivative financial instruments	–	286.0	–	286.0
2024				
Assets				
Debt securities	27.6	–	–	27.6
Debt securities – fair value through OCI	7,302.6	–	–	7,302.6
Derivative financial instruments	–	1,466.0	0.9	1,466.9
Investments	–	–	1.6	1.6
Liabilities				
Derivative financial instruments	–	555.8	–	555.8

The Group's Level 1 portfolio of available for sale debt securities comprises liquid securities for which traded prices are readily available.

Some derivative financial instruments are also included within Level 2 as fair values are derived from discounted cash flow models using yield curves based on observable market data.

Level 3 instruments

Investments classified in Level 3 relate to the Group's holding in equity preference shares. These shares are convertible into common equity shares at various intervals during the life of the instrument. This is based on a conversion factor set by the issuer. The valuation method therefore uses the quoted share price of the unrestricted stock as a base, applies the current estimated conversion factor as advised by the issuer and applies a discount.

This discount reflects the current illiquidity of the instrument and the risks to changes in the conversion factor between the balance sheet date and the next conversion date. Whilst the valuation is primarily based on an observable market price, the level and significance of the unobservable input relating to the calculation of the discount moves this asset into Level 3.

Changes in the carrying value of Level 3 financial instruments in the period relate to the redemption of a derivative financial instrument and changes in fair value. There have been no changes in methodology, additions or transfers in or out of Level 3 in the year.

Fair value through other comprehensive income and hedge accounting reserve

Amounts within the fair value through comprehensive income reserve are transferred to the income statement upon the disposal of debt securities. During the year, a gain of £3.2 million (2024: £1.1 million gain) was recognised in net realised gains and losses.

33. Offsetting

In accordance with IAS 32 'Financial Instruments: Presentation' the Society must offset in the financial statements, financial assets and liabilities where there is a legally enforceable right to offset the recognised amounts and there is the intention to settle these amounts on a net basis.

The Group enters into derivative contracts to mitigate various risks, see Note 26 for further details. These derivatives are governed by International Swaps and Derivatives Association (ISDA) master agreements, an agreement is in place with each counterparty the Group transacts derivatives with. These agreements define the terms of how the Group will enter derivative contracts with the counterparty, including any netting arrangements.

In addition to these ISDA agreements the Group has various Credit Support Annexes (CSAs) with counterparties which defines how collateral will be exchanged with a counterparty to mitigate market risk.

The following table shows the impact on the financial statements of these arrangements:

Group	2025				2024			
	Gross amounts* £m	Master netting arrangements £m	Financial collateral** £m	Net amount £m	Gross amounts* £m	Master netting arrangements £m	Financial collateral** £m	Net amount £m
Group								
Financial assets								
Derivative financial instruments	678.9	(192.8)	(439.3)	46.8	1,466.9	(321.6)	(1,160.0)	(14.7)
Total financial assets	678.9	(192.8)	(439.3)	46.8	1,466.9	(321.6)	(1,160.0)	(14.7)
Financial liabilities								
Derivative financial instruments	286.0	(192.8)	(30.0)	63.2	555.8	(321.6)	(107.1)	127.1
Total financial liabilities	286.0	(192.8)	(30.0)	63.2	555.8	(321.6)	(107.1)	127.1
Society								
Financial assets								
Derivative financial instruments	635.0	(192.8)	(439.3)	2.9	1,466.0	(321.6)	(1,160.0)	(15.6)
Total financial assets	635.0	(192.8)	(439.3)	2.9	1,466.0	(321.6)	(1,160.0)	(15.6)
Financial liabilities								
Derivative financial instruments	222.9	(192.8)	(30.0)	0.1	429.6	(321.6)	(107.1)	0.9
Total financial liabilities	222.9	(192.8)	(30.0)	0.1	429.6	(321.6)	(107.1)	0.9

* As recognised in the balance sheet.

** Collateral is restricted by the value of the related financial asset or liability.

Collateral is received and paid in the form of cash. Where cash is received from counterparties it is included as a liability in amounts owed to credit institutions. Where cash is paid to a counterparty it is recorded as loans and advances to credit institutions. Cash collateral paid and received is not restricted and is returned at the end of the contract.

34. Related parties

Identity of related parties

The Society has related party relationships with its controlled entities, a joint venture, the pension schemes and key management personnel. The Society considers its key management personnel to be its directors.

Contributions to the pension schemes

The Society paid contributions of £25.5 million to the pension schemes (2024: £23.5 million).

Remuneration of and transactions with directors

Full details of directors' remuneration, including the highest paid director, bonuses and pensions are given in the *Directors' Remuneration Report*. In addition, past directors' pensions in respect of services as directors from the closed scheme amounted to £26,320 (2024: £25,313).

None of the directors of the Society had any equity interest in, or loans to or from, any subsidiary of the Society at any time during the financial year.

A register containing details of loans, transactions and arrangements between the Society and its directors and connected persons is maintained at the head office of the Society. A statement containing the details of this register for 2025 will be available for inspection at the head office by members for a period of 15 days up to and including the date of the Annual General Meeting.

Key management personnel compensation

The directors of the Society are considered to be the key management personnel as defined by IAS 24 *Related party Disclosures*. Total key management personnel compensations was as follows:

	2025 £000	2024 £000
Short-term employee benefits*	3,331.0	4,788.5
Post-employment benefits	143.0	173.0
Total key management personnel compensation	3,474.0	4,961.5

* Includes bonus of £1.0 million for the year.

Key management compensation in 2025 includes amounts paid to key management personnel who both retired and joined the Society during 2025. The number of key management personnel at 31 December 2025 totalled 9 (31 December 2024: 12).

Transactions with key management personnel

Key management personnel and their close family members have undertaken the following transactions with the Society under normal business terms.

	2025		2024	
	No. of key management personnel	Amounts in respect of key management personnel and their close family £000	No. of key management personnel	Amounts in respect of key management personnel and their close family £000
Mortgage loans				
At 1 January	–	–	–	–
Net movements in the year	1	500.0	–	–
At 31 December	1	500.0	–	–
Deposit accounts and investments				
At 1 January	12	1,347.8	12	1,136.6
Net movements in the year	(3)	284.3	–	211.2
At 31 December	9	1,632.1	12	1,347.8

There were £0.5 million mortgage loan transactions or balances key management personnel and their close family members in 2025 (2024: £nil).

Amounts relating to directors who joined or left during the year are included in net movement in the year.

Mortgage loans made to key management personnel and their close family members were granted in the ordinary course of business and are subject to repayment under normal lending terms. The maximum outstanding balances during the year 2025 were £500,000 (2024: £nil).

Amounts deposited by key management personnel and their close family members earn interest at the same rates offered to the public.

Key management personnel and their close family members paid interest totalling £195.23 (2024: £nil), received interest totalling £42,728.66 (2024: £40,846.87), and paid no fees and commissions during the year 2025. Interest paid includes amounts relating to 'offset' mortgages where savings balances are used to reduce the interest-bearing balance of mortgage loans.

34. Related parties (continued)**Transactions with controlled entities**

The Society transacts with its controlled entities in the form of intra-group loans and equity shareholdings in the normal course of business. The value of related party transactions and outstanding balances at the year end for the financial year are as follows:

	Shares in subsidiaries £m	Loans to controlled entities £m	Deposits from controlled entities £m
At 1 January 2025	104.0	41,327.4	(12,800.7)
Net movements	–	2,198.2	2,486.6
At 31 December 2025	104.0	43,525.6	(10,314.1)
At 1 January 2024 (as restated)	104.9	37,936.8	(13,672.3)
Net movements	(0.9)	3,390.6	871.6
At 31 December 2024	104.0	41,327.4	(12,800.7)

The value of related party transactions income and expense for the financial year is as follows:

	2025 £m	2024 £m
Interest revenue on loans	1,787.8	1,749.3
Interest expense on deposits	(818.8)	(1,195.9)
Fees and expenses revenue	119.3	101.1
Fees and expenses expense	–	–
Dividends received	78.0	75.0

35. Notes to the cash flow statements

	Group 2025 £m	2024 £m	Society 2025 £m	2024 £m
Non-cash or non-operating items included in profit before tax:				
Depreciation and amortisation	21.8	23.7	21.8	23.7
Loss on sale of assets	2.1	–	2.1	–
Interest on subordinated liabilities	70.6	76.7	70.6	76.7
Impairment charge/(release) for the year	10.8	0.2	–	(2.0)
Provision charge for the year	–	1.3	–	1.3
Non-cash movements on subordinated liabilities	44.7	(25.8)	44.7	(25.8)
Loss on realisation of debt securities	0.1	1.5	0.1	1.5
Non-cash or non-operating items included in profit before tax	150.1	77.6	139.3	75.4
(Increase)/decrease in operating assets:				
Change in loans and advances to customers and related fair value adjustments for hedged risk, excluding impairment	(2,675.9)	(3,050.6)	(208.9)	190.2
Investments	–	–	(2,198.2)	(3,389.7)
Derivative financial assets	774.1	297.3	817.1	295.1
(Increase)/decrease in other assets and non-OCI element of retirement benefit surplus	(2.5)	176.0	(14.6)	194.9
Net increase in operating assets	(1,904.3)	(2,577.3)	(1,604.6)	(2,709.5)
Increase/(decrease) in operating liabilities:				
Shares and related fair value adjustments for hedged risk	895.6	4,988.7	895.6	4,988.7
Amounts owed to credit institutions	(832.0)	(717.4)	(832.0)	(717.4)
Non cash movements on debt securities	179.9	(14.3)	162.4	(63.1)
Other deposits	311.9	213.2	(1,761.3)	(623.2)
Derivative financial liabilities	(269.8)	(141.6)	(206.7)	(154.7)
Cash movements in other liabilities and provisions	9.1	5.9	(0.1)	(14.3)
Net increase/(decrease) in operating liabilities	294.7	4,334.5	(1,742.1)	3,416.0

35. Notes to the cash flow statements (continued)

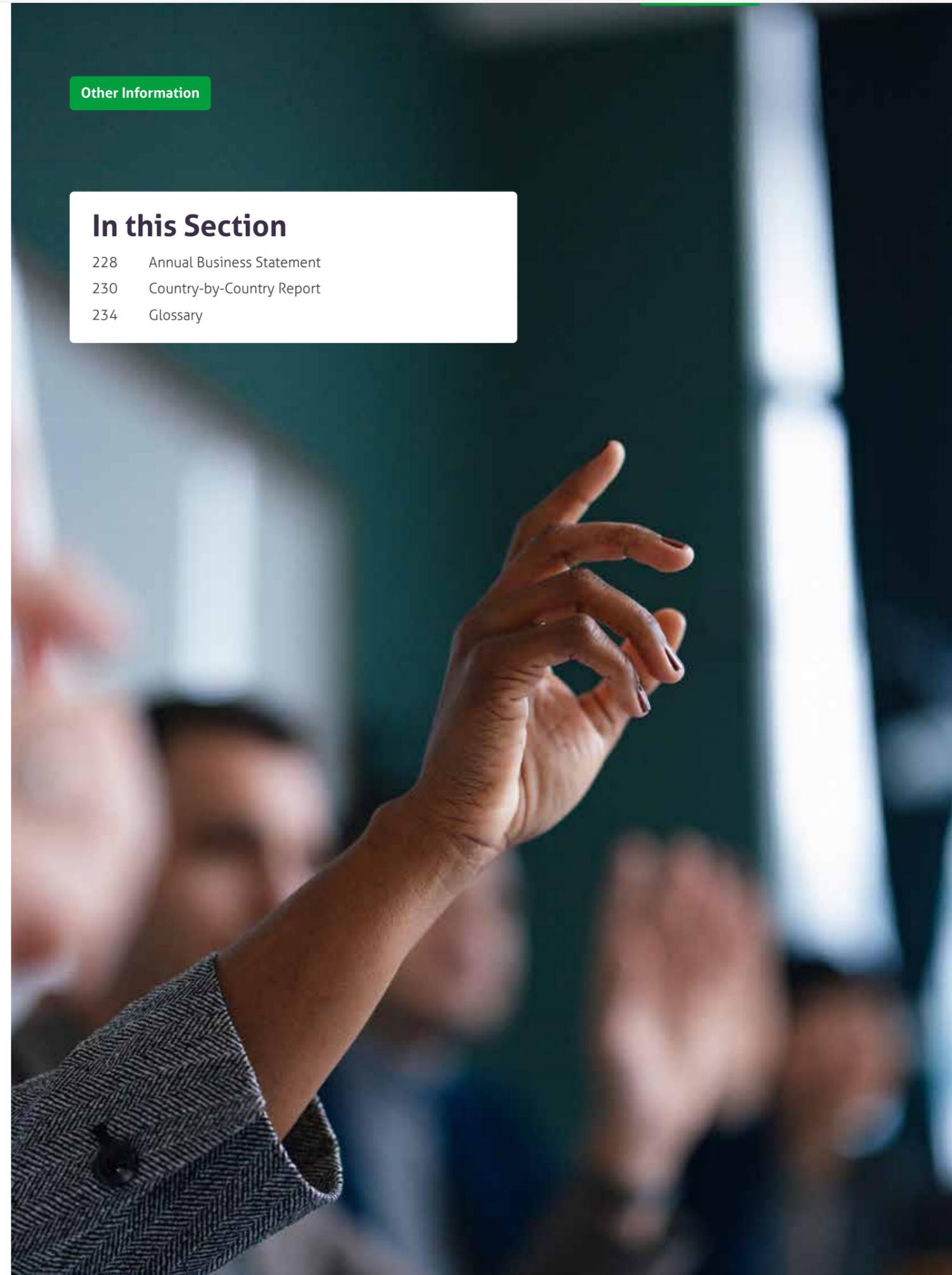
The following table reconciles liabilities arising from financing activities.

Liabilities from financing activities	Brought forward	Cash flows		Non-cash changes caused by:			Carried forward
		Redemption	Issue	Foreign exchange	Accrued interest	Fair value and other movements	
	£m	£m	£m	£m	£m	£m	£m
2025 – Group							
Debt securities in issue	5,019.3	(666.7)	892.7	125.1	10.4	44.4	5,425.2
Subordinated liabilities	1,453.3	(25.6)	–	–	(0.8)	45.5	1,472.4
Total	6,472.6	(692.3)	892.7	125.1	9.6	89.9	6,897.6
2024 – Group							
Debt securities in issue	4,919.4	(1,429.4)	1,543.6	(104.7)	5.9	84.5	5,019.3
Subordinated liabilities	1,621.7	(142.6)	–	–	(3.0)	(22.8)	1,453.3
Total	6,541.1	(1,572.0)	1,543.6	(104.7)	2.9	61.7	6,472.6
2025 – Society							
Debt securities in issue	5,454.0	(469.5)	542.7	124.9	11.1	26.4	5,689.6
Subordinated liabilities	1,453.3	(25.6)	–	–	(0.8)	45.5	1,472.4
Total	6,907.3	(495.1)	542.7	124.9	10.3	71.9	7,162.0
2024 – Society							
Debt securities in issue	5,517.6	(1,194.1)	1,193.6	(104.6)	6.5	35.0	5,454.0
Subordinated liabilities	1,621.7	(142.6)	–	–	(3.0)	(22.8)	1,453.3
Total	7,139.3	(1,336.7)	1,193.6	(104.6)	3.5	12.2	6,907.3

Other Information

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ANNUAL BUSINESS STATEMENT

1. Statutory percentages

	2025	2024	Statutory limit
	%	%	%
Lending limit	5.8	6.2	25.0
Funding limit	12.1	12.4	50.0

The above percentages have been calculated in accordance with the provisions of the *Building Societies Act 1986*.

The Lending limit measures the proportion of business assets not in the form of loans fully secured on residential property. The Funding limit measures the proportion of shares and borrowings not in the form of shares.

The statutory limits are as laid down under the *Building Societies Act 1986* and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its members.

2. Other percentages

	2025	2024
	%	%
As a percentage of shares and borrowings		
Gross capital	9.49	9.13
Free capital	9.29	8.92
Liquid assets	22.49	24.60
Profit after taxation for the financial year as a percentage of mean total assets	0.41	0.45
Management expenses as a percentage of mean total assets	0.62	0.58

The above percentages have been prepared from the Group financial statements and further details on the above percentages can be found in the *Glossary*.

3. Information relating to the directors at 31 December 2025

Director name and date of birth	Business occupation	Date of appointment	Other Directorships
A V F Durbin, BComm LLB MSc 9 October 1963	Chair of the Board	18 December 2023	Persimmon PLC
S M Allen, OBE, BA Hons (Econ) ACIB ACT 1 September 1966	Chief Executive	2 March 2023	Alzheimer's Society TheCityUK
G L T Bainbridge, MA (Cantab), ACA* 13 September 1960	Non-Executive Director	1 January 2019	ICE Clear Europe Limited Manulife Financial Corporation The Manufacturers Life Insurance Company 71-72 Oakley Street Limited
P D Bole, MA Chartered Accountant 16 October 1969	Non-Executive Director	1 September 2024	None
E S Bucknor 6 July 1966	Non-Executive Director	26 September 2025	Hoptroff London Limited Currys PLC Reed Global Limited
A J Darlington, BSc FIA 7 May 1968	Non-Executive Director	26 April 2022	Rothesay Life Plc Rothesay Limited
D J Davies, BA Hons 8 February 1963	Non-Executive Director	26 July 2023	AXA UK Plc AXA PPP Healthcare Limited AXA Insurance UK Plc Intrum AB (Sweden) Nomura International Plc Nomura Europe Holdings Nomura Bank International
M A Parsons, BA, FCMA 24 October 1961	Non-Executive Director	20 October 2020	Fairstone Capital Group Limited Fairstone Private Wealth Limited
J E Pope BSc Econ, MSc Economics, MBA 2 September 1960	Non-Executive Director	29 October 2024	CAF Bank Limited Foundation for Credit Counselling Department for Culture Media and Sport (DCMS)
T A Ranger BA Hons 20 November 1977	Chief Financial Officer and Executive Director	18 June 2024	Accord Mortgages Limited Norwich and Peterborough (LBS) Limited

* Stepped down from the Board on 31 December 2025.

Mr T A Ranger entered into a contract on 15 February 2024 and was appointed to the Board on 18 June 2024 and his mutual contractual notice period is 12 months.

Ms Allen entered into a contract on 5 August 2022 and was appointed to the Board on 2 March 2023 and her mutual contractual notice period is 12 months.

Documents may be served on the above named directors: Yorkshire Building Society, c/o Addleshaw Goddard LLP, One St Peter's Square, Manchester, M2 3DE, United Kingdom.

4. Registered office

Yorkshire Building Society is a building society incorporated and domiciled in the United Kingdom. The address of the principal office is Yorkshire House, Yorkshire Drive, Bradford, BD5 8LJ.

COUNTRY-BY-COUNTRY REPORT

Disclosure requirements under CRD IV country-by-country reporting

We are required to disclose the following information in our Annual Report and Accounts to comply with the Regulations of Article 89 of the Capital Requirements Directive IV (CRD IV) country-by-country reporting (CBCR).

This regulation requires us to disclose financial information by country. Yorkshire Building Society has a number of subsidiaries; these can be found in Note 8 to these financial statements.

All the activities of Yorkshire Building Society and its subsidiaries (together, 'the Group') are conducted in the United Kingdom.

Country	Nature of activities	Number of employees (average full time equivalent)	Turnover (Note i) £m	Profit before tax £m	Corporation tax paid £m
United Kingdom	Provision of financial services	3,642	794.0	377.9	120.0

i) Turnover represents 'total income' on the Group's income statement as disclosed in the Group's Annual Report and Accounts.

No public subsidies were received by the Group in 2025.

Basis of preparation

The Group's CBCR disclosure has been prepared to comply with the regulations. The requirements place certain reporting obligations on financial institutions that are within the scope of CRD IV. CBCR requires annual publication of certain statutory information on a consolidated basis, by country, where an institution has a subsidiary or branch.

The CBCR disclosure has been prepared solely to comply with the requirements of the regulations and may not be relied on for any other purpose.

Full-time equivalent employees

The figures disclosed above represent the average number of FTE's all of which were employed in the UK.

Turnover and Profit before tax

Turnover and profit before tax are compiled from the Yorkshire Building Society Group consolidated financial statements for the year ended 31 December 2025, which are prepared in accordance with IFRS.

Corporation tax paid

Corporation tax paid represents the net cash taxes paid during 2025. Corporation tax paid is reported on a cash basis and will normally differ from the tax expenses recorded for accounting purposes due to:

- Timing differences in the accrual of the tax charge;
- Brought forward losses from previous years;
- Other differences between when income and expenses are accounted for under IFRS and when they become taxable.

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF YORKSHIRE BUILDING SOCIETY

Report on the audit of the country-by-country information

Opinion

In our opinion, Yorkshire Building Society's country-by-country information for the year ended 31 December 2025 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31 December 2025 in the Country-by-Country Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Society in accordance with the ethical requirements that are relevant to our audit of the country-by-country information in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – Basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to the country-by-country report of the country-by-country information which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the current and forecast financial performance;
- understanding and evaluating management's going concern assessment, including consideration of the impact of current economic environment;
- understanding and evaluating management's forecasts and the stress testing of liquidity and regulatory capital performed by management;
- evaluating management's ability to accurately forecast financial performance by comparing budgeted financial information with historical actual results; and
- reviewing regulatory correspondence, and relevant reports provided to governance forums.

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 Society's ability to continue as a going concern for a period of at least twelve months from the date on which the country-by-country information is authorised for issue.

In auditing the country-by-country information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Society's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Responsibilities for the country-by-country information and the audit

Responsibilities of the directors for the country-by-country information

The directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the basis of preparation in the country-by-country information, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

In preparing the country-by-country information, the directors are responsible for assessing 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 Society or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the country-by-country information

It is our responsibility to report on whether the country-by-country information has been properly prepared in accordance with the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Society and the industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority's ('FCA') regulations, the Prudential Regulation Authority's ('PRA') regulations and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as applicable tax legislation and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries that could be used to manipulate financial performance and the potential for management bias in accounting estimates.

Audit procedures performed included:

- Review of correspondence with the PRA, FCA and HMRC;
- Challenging estimates and judgements made by management in forming significant accounting estimates;
- Identifying and testing journals that meet the higher risk criteria;
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed;
- Discussions with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation; and
- Review of internal audit reports in so far as they related to the country-by-country information.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the country-by-country information. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the country-by-country information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Society's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

The engagement partner responsible for this audit is Michael Whyte.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Leeds

25 February 2026

GLOSSARY

The following glossary defines terminology used within the Annual Report and Accounts:

Additional Tier 1 (AT1) capital	Capital that meets certain criteria set out in CRD IV. In particular, the criteria require that upon the occurrence of a trigger event, the AT1 capital instrument converts to a form of Common Equity Tier 1 capital or the principal is written down on a permanent basis.	Exposure	The maximum loss that a financial institution might suffer if a borrower or counterparty fails to meet its obligations to the Group.
Arrears	Amounts unpaid at their contractual date. A customer is in arrears when they fall behind in meeting their obligations to pay their mortgage.	Exposure at default (EAD)	An estimation of the amount of exposure that will be outstanding at the time of default.
Buy-to-let (BTL) mortgages	Lending on property that is rented out to individuals.	Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.
Capital Requirements Directive (CRD) & Capital Requirements Regulation	European legislation that defines the regulatory capital framework in the UK. The latest legislation – the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) (together commonly referred to as CRD IV) came into effect from 1 January 2014.	Financed Emissions	Emissions arising from YBS financed activities, including residential mortgages (both owner-occupied and buy-to-let) and commercial mortgages (both buy-to-let and investment).
Collateral (for loans and advances to customers)	Security (property) pledged for the repayment of a loan. Collateral is valued as the lower of the value of the property or the outstanding loan amount.	Financial Conduct Authority (FCA)	The UK conduct regulator which is responsible for regulation of conduct in retail, as well as wholesale, financial markets and the infrastructure that supports those markets. The FCA's objective is to protect consumers, promote competition and enhance market integrity.
Commercial lending	Secured loans to a commercial borrower.	Forbearance	The Group grants concessions to assist borrowers who experience difficulties in meeting their obligations to pay their mortgage. Examples of forbearance tools are described in Note 31.
Common Equity Tier 1 (CET1) capital	The highest quality regulatory capital resources, comprising retained earnings less regulatory adjustments, as defined under CRD IV. Equivalent to Core Tier 1 defined under previous CRD legislation.	Free capital	The aggregate of gross capital and collective impairment provision less property, plant and equipment, intangible assets and investment properties.
Contractual maturity	The final payment date of a loan or financial instrument, at which all the outstanding loan and interest is repayable.	Gross capital	The aggregate of general reserve, hedge accounting reserve, available for sale reserve, subordinated liabilities and subscribed capital.
Council of Mortgage Lenders (CML)	A not-for-profit organisation and trade association for the mortgage lending industry.	Impaired loans	Loans which have been assessed and there is evidence to suggest a measurable decrease in the present value of cash flows expected from the loans that have occurred after initial recognition of the asset, but before the balance sheet date.
Covered bonds	A type of wholesale funding backed by cash flows from mortgages that are segregated from the issuer's other assets to be solely for the benefit of the holders of the covered bonds.	Internal Liquidity Adequacy Assessment Process (ILAAP)	The Group's internal assessment of the levels of liquidity that need to be held by the Society to meet its regulatory liquidity requirements.
Credit Valuation Adjustment (CVA)	The risk of financial loss arising from a failure of a customer or counterparty to settle their financial and contractual obligations as they fall due. These are adjustments applied to the fair values of derivatives to reflect the creditworthiness of the counterparty.	Interest rate swap	An arrangement under which two counterparties agree to exchange periodic interest payments based on a predetermined notional principal amount.
Cross currency interest rate swap	An arrangement in which two parties exchange equivalent principal amounts of different currencies at inception and subsequently exchange interest payments on the principal amounts. At the maturity of the swap, the principal amounts are re-exchanged at the original rates.	Internal Capital Adequacy Assessment Process (ICAAP)	The Group's internal assessment of the levels of capital that need to be held by the Society to meet its regulatory capital requirements.
Currency risk	The exposure to risk from assets and liabilities denominated in currencies other than Sterling.	International Financial Reporting Standards (IFRS)	International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).
Debt securities in issue	Transferable certificates of indebtedness including certificates of deposits and fixed and floating rate notes.	High Quality Liquid Assets (HQLA)	Assets which can be easily and immediately converted into cash at little or no loss of value.
Debit Valuation Adjustment (DVA)	These are adjustments applied to the fair values of derivatives to reflect the entity's own credit risk.	Liquidity Coverage Ratio (LCR)	A liquidity metric which aims to ensure that a firm maintains an adequate level of liquidity to meet its needs for a 30 calendar day time horizon under a severe stress scenario.
Defined Benefit Obligation	The present value of expected future benefit payments resulting from past service of employees in the defined benefit pension plan.	Liquid assets	The total of cash in hand and balances with the Bank of England, loans and advances to credit institutions, debt securities and other liquid assets.
Derivative financial instruments	Contracts or agreements whose value is derived from one or more underlying prices, rates or indices inherent in the contract or agreement, such as interest rates, exchange rates or stock market indices. Examples of derivatives include interest rate swaps, forward rate agreements and futures.	Liquidity risk	The risk that the Group does not hold sufficient liquidity, in terms of quantity and quality, to meet its liabilities as they fall due.
Effective interest rate	The method used to calculate the amortised cost of financial instruments and to recognise interest receivable or payable over the relevant period. The effective interest rate is the rate that exactly discounts estimated cash flows (excluding credit losses) to zero, through the expected life of the instrument.	Loan-to-value (LTV)	A ratio showing outstanding loan balance as a percentage of the value of the security.
Encumbered assets	Assets on the balance sheet which are pledged in order to secure, collateralise or credit-enhance a financial transaction from which they cannot be freely withdrawn.	Loss given default (LGD)	An estimate of the difference between exposure at default (EAD) and the net amount of the expected recovery expressed as a percentage of EAD.
Expected credit losses	An estimate of the potential losses on current exposures due to potential defaults.	Management expenses	The aggregate of administrative expenses, depreciation and amortisation.
		Market Risk	The risk that the value of, or income derived from, the Group's assets and liabilities changes unfavourably due to movements in interest rates or foreign currency rates.
		Mean total assets	The amount produced by halving the aggregate of total assets at the beginning and end of the financial year.

Medium-term notes	Corporate notes continuously offered by a company to investors through a dealer. Investors can choose from differing maturities.
Member	A person who has a share account or a mortgage loan with the Society.
Minimum Requirement for Eligible Liabilities (MREL)	The minimum requirements a financial institution must hold to meet the loss absorption and recapitalisation components if an institution were to fail.
Net interest income	The difference between the interest received on assets and the interest paid on liabilities.
Net interest margin	The ratio of net interest income as a percentage of mean total assets.
Net Zero	The aim of balancing greenhouse gases with the amount produced and removed from the atmosphere, to limit the global temperature rise to 1.5°C. For YBS, this means gradually reducing greenhouse gas emissions to 10% of the base year position by the target date stated.
Operational Emissions	Emissions arising from YBS activities, including Scope 1 and 2 emissions, and select Scope 3 emissions (Waste, Water, Business Travel, Colleague Commuting and Homeworking).
Operational risk	The risk of direct and indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.
Other income	The income received from selling non-mortgage and savings products (e.g. home and contents insurance, investment products and other insurances).
PRA Remuneration Code	Guidance provided by the PRA on directors' remuneration.
Probability of default (PD)	An estimate of the probability that a borrower will default on their credit obligations.
Prudential Regulation Authority (PRA)	The UK prudential regulator, which is a part of the Bank of England and alongside the FCA has responsibility for the oversight of building societies, banks and insurers. The PRA's objective is to promote the safety and soundness of regulated firms.
Repossessions	Property taken into ownership by the Society as a result of the borrower's failure to make contractual loan repayments.
Residential Mortgage Backed Securities (RMBS)	An asset backed security that represents a claim on the cash flows from residential mortgage loans through a process known as securitisation.
Risk appetite	The level of risk that the Group is willing to take (or not take) in order to safeguard the interests of members whilst achieving business objectives.
Risk weighted assets	A regulatory measure that adjusts the value of assets to reflect their level of risk when calculating capital requirements.
Scope 1 Emissions	Emissions from sources YBS directly owns and controls, including burning natural gas in boilers for heating.
Scope 2 Emissions	Emissions YBS indirectly causes due to purchasing electricity.
Scope 3 Emissions	All other indirect emissions resulting from activities in YBS' upstream and downstream value chain.
Securitisation	A process by which a group of assets, usually loans, are aggregated into a pool which is used to back the issuance of debt securities in issue. A firm transfers these assets to a special purpose vehicle which then issues securities backed by the assets. The Group has established securitisation structures as part of its funding activities and uses residential mortgages as the asset pool.

Shares	Money deposited by members in a retail savings account with the Society and held as a liability in the balance sheet.
Shares and borrowings	The total of shares, amounts owed to credit institutions, amounts owed to other customers and debt securities in issue.
SONIA (Sterling Overnight Index Average)	An index that tracks actual market overnight funding rates calculated as a weighted average overnight deposit rate for each business day.
Subordinated liabilities	Liabilities which are subordinated to preferred creditors' claims, including claims by depositors and members holding shares in the Society.
Term Funding Scheme with additional incentives for small and medium sized entities (TFSME)	A scheme launched by the Bank of England designed to boost lending to households and businesses by providing term funding to banks and building societies participating in the scheme at rates close to Bank Rate.
Tier 1 (T1) capital	The sum total of Common Equity Tier 1 and Additional Tier 1 capital.
Tier 1 capital ratio	The ratio of Tier 1 capital to risk weighted assets.
Tier 2 capital	A measure of regulatory capital that includes subordinated liabilities and provisions for collective impairment, less regulatory adjustments.
Total capital	The total capital resources, including retained earnings, PIBS and subordinated liabilities, less regulatory adjustments.
Total capital ratio	The ratio of total capital to risk weighted assets.
UK Corporate Governance Code	The UK Corporate Governance Code (the Code), first published by the Financial Reporting Council in October 2012 which sets out standards of good practice in relation to Board leadership and effectiveness, accountability and remuneration. Reporting in relation to these accounts is based on the version of the Code published in published in January 2024 which applies from accounting years after 1 January 2025, with the exception of Provision 29 which will apply from January 2026).
Value at Risk (VaR)	A risk management tool which evaluates the potential losses that may be incurred as a result of movements in market conditions over a specified holding period and to a given level of confidence.
Watch list	The watch list is used by the commercial lending team to flag those loans where there are circumstances which could impact on the quality and safety of the loan.
Wholesale funding	The funding that is available between banks and other financial or commercial institutions. Examples of wholesale funding include covered bonds, deposits and government guarantees.

The following glossary defines Alternative Performance Measures (APM) used within the Annual Report and Accounts:

APM	Calculation of Measure	Reconciling items to statutory measure	Definition and purpose
Income Statement measures			
Core operating profit	Profit before tax adjusted for one-off items.	A full reconciliation between profit before tax as shown in the income statement and core operating profit is shown in the <i>Strategic Report</i> .	Core operating profit excludes items such as fair value volatility and material one-time charges that do not reflect the Group's day-to-day activities. Our Board considers core operating profit to be a more appropriate measure of the underlying performance of the business and this is how financial performance is reported to and assessed by the Board.
Cost to core income ratio	Management expenses as a percentage of core income.	Management expenses = administrative expenses plus depreciation and amortisation per the income statement. Core income = total income less gains/(losses) from financial instruments held at fair value per the income statement.	This is a measure of the Group's costs in relation to its income excluding fair value volatility. This is used by the Group to monitor and manage its overall cost position and understand how efficient the Group is at generating income on an underlying basis.
Cost to income ratio	Management expenses as a percentage of total income.	Management expenses = administrative expenses plus depreciation and amortisation per the income statement. Total income as per the income statement.	This is an industry-standard measure of the Group's costs in relation to its income. This is used by the Group to monitor and manage its overall cost position and understand how efficient the Group is at generating income.
Management expense ratio	Management expenses (the aggregate of administrative expenses, depreciation and amortisation) as a percentage of mean total assets.	Administrative expenses and depreciation and amortisation (management expenses) are as shown in the income statements. Mean total assets are calculated by taking the average of the value of the opening balance for the year and the value of the closing balance, as shown in the balance sheets.	This is an industry-standard ratio of the Group's costs as a proportion of its mean assets during the year, and is used to measure how efficient the Group is at maintaining its asset base.
Net interest margin	Net interest income as a percentage of mean total assets.	Net interest income is as shown in the income statements. Mean total assets are calculated by taking the average of the value of the opening balance for the year and the value of the closing balance, as shown in the balance sheets.	This is an industry-standard measure of the relationship between net interest income (the difference between the interest received on assets and the interest paid on liabilities) and assets. This is a key measure used by the Board to monitor how the Group manages income from its assets and interest paid on funding.
Balance Sheet items			
Asset growth	Total assets at the end of the year less total assets at the start of the year.	Total assets are as shown in the balance sheets.	Movement in total asset over the period.
Average savings rate differential	None	Not applicable	Calculates the average savings rate applied to the Group's savings accounts during the period versus the average UK savings interest rates for the rest of the market, based on savings stock from CACI's Current Account and Savings Database (CSDB), based on stock value. This is used to assess how much the Group is paying out in interest in comparison to peers.
Gross lending	None	Not applicable	The total value of mortgage loans advanced by the Group in the period, including loans for house purchase, further advances, re-mortgages etc.
Lending to first time buyers	None	Not applicable	The total value of mortgage loans advanced by the Group in the period to first time home buyers. This measure displays how the Group is helping people overcome the challenge of buying their first property.

APM	Calculation of Measure	Reconciling items to statutory measure	Definition and purpose
Liquidity ratio	Cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities as a percentage of shares and borrowings.	Cash in hand, balances with the Bank of England, loans and advances to credit institutions, debt securities, and shares are as shown in the balance sheets. Borrowings comprise amounts owed to credit institutions, other deposits and debt securities in issue, also as shown in the balance sheets.	The liquidity ratio measures those assets available to meet requests by savers to withdraw their money, to fund mortgage advances and to fund general business activities. It expresses cash and assets easily converted into cash as a percentage of the Group's liabilities to investors.
Loan to deposit ratio	Loans and advances to customers as a percentage of shares and other retail customer deposits.	Not applicable	This is an industry-standard measure of the relationship between Loans and advances to customers and retail customer deposits.
Mortgages funded by retail savings and retained profits	Shares and total reserves as a percentage of loans and advances to customers.	Shares, total reserves and loans and advances to customers are as shown in the balance sheets.	The retail savings and reserves to mortgages ratio shows the extent to which the Group is dependent on financing from the wholesale markets.
Mortgage balance growth	Loans and advances to customers at the end of the year less loans and advances to customers at the start of the year.	Loans and advances to customers are as shown in the balance sheets.	Movement in mortgage balances including impairment provisions and fair value accounting adjustments over the period.
Net lending	Loans and advances to customers at the end of the year less loans and advances to customers at the start of the year, excluding movements in provisions and accounting adjustments detailed in Note 12.	Mortgage growth less movements in provisions and accounting adjustments detailed in Note 12.	Net lending represents gross lending less repayment of principal and redemptions and is a key measure to monitor the Group's overall lending performance. This measures our effectiveness in both new mortgage lending and in retaining borrowers.
Number of accounts more than three months in arrears	None	Not applicable	The number of mortgage accounts where the amount of arrears is greater than three monthly payments, or the account is in possession, as a proportion of the total number of mortgage accounts. The industry average for mortgage arrears is measured as the number of accounts more than three months in arrears (including possessions). We produce this KPI to assess how our level of mortgage arrears compares to the market.
Percentage of outstanding retail mortgage balances in arrears by three months or more	None	Not applicable	The percentage of mortgage account balances where the amount of arrears is equal to or greater than three monthly payments, or the account is in possession, as a proportion of the entire mortgage book. This measures the overall quality of our mortgage book.
Retail Savings balance growth	Shares at the end of the year less shares at the start of the year.	Shares are as shown in the balance sheets.	Movement in overall savings balances over the period, including capitalised interest and accounting adjustments.
Savings inflow/outflow	None	Not applicable	Displays the cash in/out of savings accounts held, excluding capitalised interest. The Group uses this to monitor its main funding source throughout the year.

Other Information > **Glossary**

APM	Calculation of Measure	Reconciling items to statutory measure	Definition and purpose
Share of the gross mortgage market	None	Not applicable	Displays the Group's total gross lending as a percentage of the gross lending in the UK housing market by banks, building societies and other lenders as measured by the Council of Mortgage Lenders (CML), which represents 97% of the UK mortgage market. From 1 July 2017 the Council of Mortgage Lenders integrated into a new trade association, UK Finance.
Regulatory Measures			
Common Equity Tier 1 (CET1) capital ratio	None	Common equity tier 1 capital ratio is defined as a percentage of risk weighted assets.	This ratio represents the relationship between the strongest form of capital (primarily accumulated profits that have built up over time) and assets, weighted by the level of risk they carry. It is a regulatory-defined ratio whose purpose is to ensure that institutions are able to absorb unexpected losses. It is a key measure of financial sustainability.
Leverage ratio	Reserves as a percentage of total assets.	Leverage ratio measures the Society's Tier 1 capital as a percentage of total assets adjusted for certain off-balance sheet exposures. The CRR leverage ratio is defined by the EU's Capital Requirements Regulation, while the UK leverage ratio modifies this ratio to exclude Central Bank reserves.	The leverage ratio is also a regulatory-defined ratio used to assess capital adequacy, but removes the risk-weighting element of assets. It is therefore a more simplified measure of financial sustainability.
Total capital ratio	None	Total capital ratio is defined as a percentage of risk weighted assets.	This measure is used to assess the total amount of capital the Group retains compared to its risk weighted assets, hence it includes externally issued capital. It is also defined by the regulatory authorities.
Non-financial measures			
Absenteeism	None	Not applicable	This indicator is for measuring the average absenteeism rate, as a % of the total working days. This KPI can be an indicator of colleague motivation as a high absence rate may indicate poor motivation and engagement.
Colleague engagement score	None	Not applicable	Our annual colleague engagement survey is used to calculate an engagement score which helps to understand our people's needs and what will lead to their enjoyment and commitment in work.
Net Promoter Score (NPS)	None	Not applicable	NPS is a measure of how willing customers are to recommend the Group to others. It measures the difference between the percentage of 'promoters' (those willing to recommend the Group to others) and 'detractors' (those unwilling to recommend the Group). The score can range from -100 if all customers are 'detractors' to +100 if all customers are 'promoters'. The Group uses this as a key measure of customer satisfaction with our products and service.
Peakon survey result	None	Not applicable	This is an external benchmarking exercise conducted by Peakon, involving an employee survey and a culture audit. The Group uses this measure to understand how successful we are at delivering our vision as a workplace where our people can give their best and thrive. This is monitored annually and reported to the Board as a colleague engagement measure.

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements, which are made in good faith based on the information available up to the time of the approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.



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