

The background of the cover is a photograph of call center workers. In the foreground, a woman with a nose ring and a red patterned jacket is smiling broadly while wearing a headset. In the background, a man is also wearing a headset and looking towards the left. The scene is brightly lit, suggesting a modern office environment.

GROUP
**ANNUAL REPORT
AND ACCOUNTS**
2025



Company number: 01311315

Non-Executive Directors

Robert Sharpe (Chair)

Helen Beck (appointed 1 April 2025)

Clare Goldie-Scot (appointed 1 April 2025)

Mikkel Hauerberg
(appointed 25 November 2025)

Richard Price (resigned 17 February 2026)

Martyn Scrivens

Dominic Slade

Richard Sommers

Julia Warrack (resigned 20 February 2026)

Secretary and Registered Office

Scott Southgate (Secretary)

80 Fenchurch Street
London
England
EC3M 4BY

Independent Auditor

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Executive Directors

Matthew Wyles
(Chief Executive Officer)

Kathryn Winup
(Chief Financial Officer)

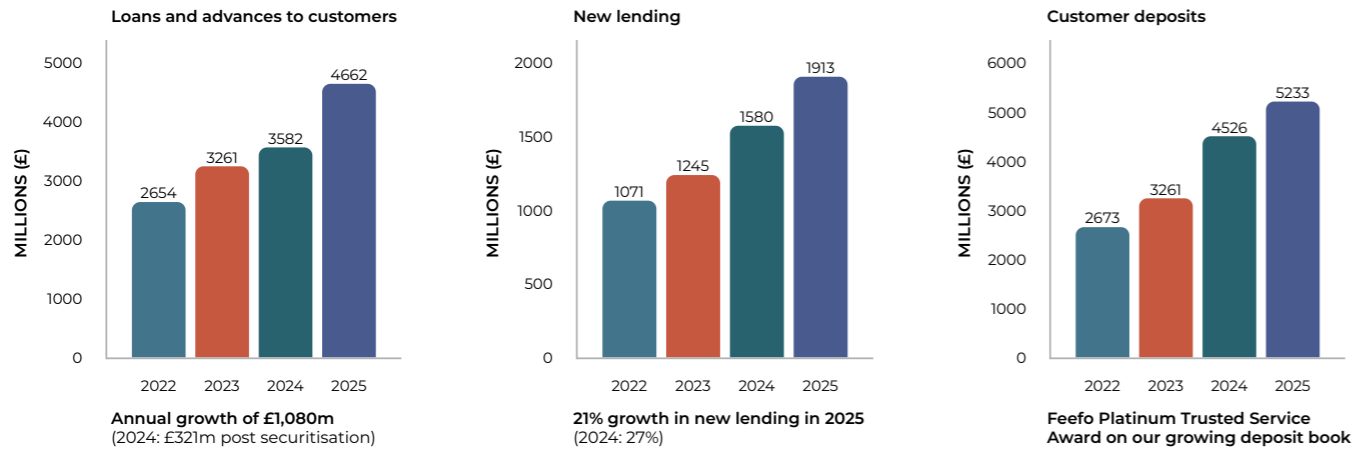
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Key highlights

Group key performance measures

Continuing to support our customers through challenging market conditions:

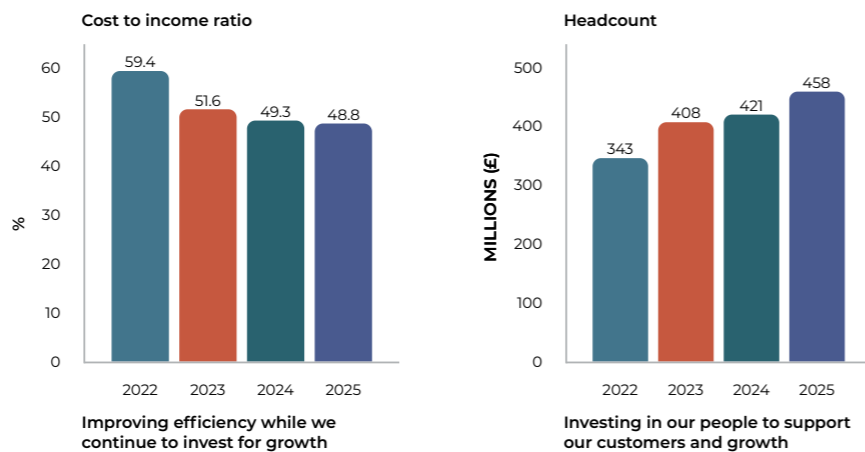


Strong growth providing robust shareholder returns:



Robust capital and prudent liquidity management providing resilience and support for future growth:

Included within 2025 Profit before tax is a £2.15m provision for motor finance discretionary commission arrangements. Included within 2024 Profit before tax is a gain on the sale of securitised loans of £7.3m. Excluding both items, return on tangible equity for 2025 is 18.1% (2024: 14.7%) and cost to income ratio is 47.5% (2024: 51.6%).



01

Delivering excellence

We are united by a commitment to excellence, integrity and customer success.

Excellence through specialism

Organisational Design

Tailored business units for each target market
Dedicated distribution, product design and credit functions

Specialist Knowledge

Comfortable with complexity
Focus on quality over unit cost and asset homogeneity

Consistent Discipline

Rigorous research and definition of target segments
Consistency and focus in our market approach

Process and Technology

Bespoke best-in-class technology for each market we serve
Prioritisation of effectiveness over economies of scale

Great People

Choose, develop and retain the best talent
High performing, engaged and accountable

Our Purpose

To help UK businesses to thrive and achieve their goals, to enrich the lives of the people we touch and to protect the environment.

Our Mission

Excellence through specialism.

Our Vision

To be the go-to bank in our chosen markets.

Our Values

Specialist Customer Focus

To understand and respond to customer needs with thoughtful, high-quality solutions.

How we behave
Listen actively, deliver with care, prioritise great outcomes.

Team HTB

Empower and support each other in an inclusive, collaborative culture.

How we behave
Celebrate success, value diversity, lead with respect.

Unwavering Integrity

Do the right thing, always - with transparency, accountability and trust.

How we behave
Speak up, stay compliant, own our actions.

Delivering Excellence

Drive consistency, accuracy and continuous improvement across everything we do.

How we behave
Take pride in our work, adapt, lead with clarity.

Chairman's overview

Global growth in 2025 was modest with output expanding at roughly 3%. Across the globe, interest rates generally stayed above pre pandemic levels with high debt, geopolitical tensions and rising protectionism as the key drivers.

Despite these challenging macro-economic circumstances, I am pleased to report that Hampshire Trust Bank PLC (HTB) continued to deliver excellent results in 2025. Our post tax revenues are retained to support our rapid rate of growth and, accordingly, the Group's Core Equity Tier 1 Capital rose 18.4% to almost £400m.

Our direction of travel is unchanged. By building and sustaining a collection of resilient, enduring business franchises, we target growth combined with a consistently high return on equity employed. This can only be achieved through a unique blend of capability and expertise combined with a clear focus and a relentless commitment to being best. We call this strategy 'Excellence through Specialism'.

One of the key ingredients to our success is consistency and we select our target markets with great care. The ability to construct a successful strategy requires unwavering focus. Our commitment to continuous improvement means that we reinvest significant revenues every year in enhancing our systems and processes, hiring talented people, improving our risk management framework, building our distribution and sharpening our analysis and insights.

The combined effect of these measures is to reinforce our customers' perception of HTB as a partner which understands their needs and is there for them, year after year, supporting their business and helping to assure their prosperity and security. Positive customer outcomes are fundamental to our philosophy. This approach, in turn, inspires loyalty and commitment which fuels our future success.

In April, I was delighted to welcome both Helen Beck and Clare Goldie-Scot as new non-executive directors. As Helen and Clare join the Board, two of our non-executive colleagues, Richard Price and Julia Warrack, have retired and we thank them very much for their important contributions.

HTB has had the added benefit of a very supportive shareholder, Alchemy Partners, since 2014. In 2025, Alchemy brought in an additional shareholder, a fund managed by Bayview Asset Management, which is a large, global alternative investment firm based in Florida, USA. Mikkel Hauerberg from Bayview Asset Management joined the Board in December 2025.

I was also very pleased to welcome Yogesh Patel who joined us as Chief Operating Officer in May 2025 and his experience includes working at a leading consulting firm and latterly as a senior executive role in a leading UK private bank.

2026 has had a difficult start with Israel and the US launching strikes on Iran which quickly spiralled into a war which the US may find difficult to end. As a result of the effective closure of the Straits of Hormuz, global oil prices rocketed, creating further pressure on developing and developed economies worldwide.

Even before the war on Iran began, the UK was facing higher taxes, rising Government spending, adverse demographics and public sector debt of almost 100% of GDP. As we publish our accounts, the war in the Middle East makes the prospects for the UK economy difficult to predict. We have confidence in our strategy, 'Excellence through Specialism', and will adapt, where necessary, in response to any heightened macro-economic risks to ensure we continue the development of our business on sound foundations.

I am very lucky to lead and have support from a first-class Board of Directors. My warmest thanks go to all my fellow directors for their skilled and insightful contribution to the ongoing success of HTB. 2025 has, in many ways, been quite a difficult year and so my last word should go to our tremendous management team and HTB's dedicated workforce who worked so hard to produce another excellent set of results.



Robert Sharpe
Group Chairman



Chief Executive's Report

Growth in most of the G7 economies was relatively weak during 2025 and the UK was no exception. At the time of writing, the UK's rate of growth, if anything, appears to be slowing further, according to the Office of Budget Responsibility (OBR) latest published forecasts. The last two budgets have increased the burden of taxation on both businesses and consumers, principally to support increased Government spending, notably on welfare. This policy of higher taxation combined with a deteriorating labour market and rising unemployment constitute significant headwinds to the Government's avowed objective of increasing economic growth.

The other key factor which undermined confidence across the developed world during 2025 was the erratic and unpredictable policies (both economic and political) emanating from the White House including, perhaps most significantly, the introduction of a complex array of trade tariffs. This move by the US risks creating a new era of protectionism across global markets as other major trading blocs, notably China and the EU, respond.

As the Chairman has referenced in his report, the decision of the US to join Israel in starting a shooting war with Iran at the end of February has added a set of new risks to the global economy. Whilst the Bank of England Base Rate declined during 2025 from 4.5% to 3.75%, central banks everywhere will now have to grapple with the threat of stagflation which the already dramatic increase in the price of energy has inevitably created.

Despite the challenging economic context, HTB turned in another excellent performance in 2025.

Group underlying profit after tax was up 22% on 2024 at £63.3m which represented an 18.2% return on tangible equity. We have a small loan portfolio of closed businesses which are in run-off, principally asset finance and some legacy assets from our acquisition of Wesleyan Bank ("Closed Book"). These outperformed our expectations and made a useful contribution to the Group's results. Excluding our Closed Book, loan assets grew by 40.8%.

The private rental sector (PRS) is our single most important market. We have always concentrated on larger portfolio landlords who are better equipped to understand and manage the more complex environment which now prevails. 2025 was, broadly, a year of stasis for the buy to let (BTL) market. Headwinds included the Government's clear intention to tighten the environmental controls applying to rental property and the enactment of the Renters' Rights Act 2025 which increases tenants' rights and limits landlords' ability to obtain vacant possession. Thus, during 2025, many portfolio landlords paused until they could better understand the rapidly evolving legal and regulatory landscape. Notwithstanding a very difficult market in 2025, our Specialist Mortgages division (which includes our small bridging book) still grew by 34.7% to £3.2bn whilst maintaining both margins and asset quality.

Smaller investors acting in their personal capacity have been at a disadvantage to those using corporate vehicles ever since Section 24 of the Finance (No. 2) Act 2015 began to restrict the amount of Income Tax relief individual buy-to-let landlords could claim on their mortgage interest and other finance costs. This change alone has resulted in a steady outflow of small investors from the private rental sector over the course of the

last ten years. To illustrate this point, according to Savills, the total number of outstanding BTL mortgages reduced by nearly 115,000 (-5.6%) between the 2022 so-called Mini-Budget and March 2025. Savills' analysis also identified that in 2024, 5.4 homes were sold by landlords to owner occupiers for every one home bought by landlords from owner occupiers, a 5:1 ratio¹. Savills point out that this is a much higher rate than in 2021, where the ratio was around 1:1. Savills's conclusion that there is a "growing trend of small landlords selling out of the market and large, professional landlords growing their share" is entirely consistent with our own observations.

Thus, whilst there is clear and ineluctable growth in demand for rental property, the supply of rental stock, net of sales and purchases, has become increasingly constrained. This fundamental shortage of supply is particularly noticeable in London and the South East. Research for Trust for London found a 41% reduction in the number of London properties available for private rent, comparing January to March 2023 with the January to March average across 2017-19².

Those landlords who are prepared to invest in the right stock (and deliver a good service to their tenants) can anticipate high rates of occupancy and steady rental growth. Whilst 2025 may have been a year of consolidation, we are confident that our BTL customers can see the strong business case for further investment, underpinned by rising yields and (perhaps) falling interest rates. They will need to continue to partner with institutions like HTB who also understand this market, including both the

risks and the opportunities. We have delivered consistently for our customers over many years and the underlying asset class, UK residential property, is the axle around which our whole business model turns.

In my report last year, I described the structural shortage of housing in the UK as a multi-generational issue, beyond the capacity of any single Government to remedy. That is still our view. Britain is not building enough homes. According to the Centre for Policy Studies (CPS), in a report published in mid-2025, the UK has a shortage of 6.5 million homes when compared with similar European countries. Britain has just 446 homes per 1,000 people, the second worst rate in Europe. This compares with 560 in France, 516 in Germany, and a European average of 542. According to the CPS, the bulk of the shortfall is due to under-building and to close the gap by 2040, the UK needs to build 565,000 homes per year, more than double the current rate³.

Fuelled by this structural shortage of housing, our Development Finance (DF) division enjoyed strong growth during 2025 - its loan portfolio (drawn balances) grew by 65%. Though we are proud to have made a contribution to the much needed increase in the UK's housing stock, we could have done more, if it were not for the UK's dysfunctional planning system and a shortage of skilled labour. We remain, however, cautiously optimistic about the residential development market provided interest rates fall during 2026. Any reduction in the cost of finance pushes more schemes into viability and lower mortgage rates make the homes more affordable.

1. Savills: Beyond Buy to Let: Where next for the UK private rented sector – June 2025

2. Trust for London: Private rented housing supply in London (Updated 2024)

3. Center for Policy Studies: UK housing gap stands at 6.5 million homes, finds CPS – July 2025

The Wholesale division also delivered a healthy rate of growth during 2025, with its loan portfolio up 57%. In February 2026, Market Financial Solutions (MFS), one of the UK's largest bridging lenders, collapsed amid allegations of the double pledging of loans. Reuters suggested in March 2026 that MFS creditors "face an estimated shortfall in excess of £1.3 billion". I am able to confirm that HTB has no exposure to MFS but we will be reviewing our procedures to take full advantage of any lessons which may be learnt.

Turning to the liability side of the balance sheet, deposit taking remains the Group's principal funding source. Our philosophy is to avoid outsourcing customer service because we want to control and manage the quality of the experience we deliver. We never forget how much choice our customers have and how honoured we are to be entrusted with their funds. HTB offers products across a broad expanse of the market encompassing easy access all the way up to 5 year fixed rate bonds and we serve the needs of retail consumers (including cash ISAs), businesses, charities and small institutions. During 2025 we grew our customer deposits, in a very competitive market, by 15.6% to £5.2bn.

We were delighted to win a host of awards during 2025 including:

- Business Moneyfacts Awards: Best Service from a Specialist Buy-to-let Mortgage Provider
- Dynamo and Next Intelligence Awards: Specialist Lender of the Year
- Business Moneyfacts Awards: Best Development Finance Provider
- SME500 Awards: Best Banking Firm of the Year
- Moneynet Awards: Business and SME Savings Provider Brand of the Year
- Feefo: Platinum Trusted Service Award

Our Treasury team had a highly successful year in 2025 culminating in the issuance of £55m of Tier 2 subordinated debt in October. We were delighted by the level of interest amongst investors which significantly exceeded our expectations.

We call our business model Excellence through Specialism and we have developed it steadily since 2018, as the formula we need to deliver our core objectives, specifically rapid earnings growth and a high return on equity through the economic cycle. Excellence through Specialism is our blueprint – it is how we create long term shareholder value by building unique and resilient franchises. This, in turn, is achieved and sustained by an unwavering focus on delivering consistently for our customers and our distribution partners.

Our cost-income ratio (CIR) fell again to 48.7%. As we scale up, we expect to be able to increase operational leverage and drive down our CIR further. More specifically, our multi-year investment programme is focussed on eliminating certain manual processes, improving productivity, reducing operational risk and enhancing customer experience, with digitisation and artificial intelligence as key themes. I was delighted to secure Yogesh Patel, our newly appointed Chief Operating Officer, who joined us in May and brought valuable skills and experience to the Group. Yogesh and his team are responsible for delivering against our important operational priorities in 2026 and beyond.

We continued to embed our vision and values into every aspect of how we do business including performance and reward. This is part of our multi-year cultural transformation journey focused on increasing engagement and improving performance. We were pleased to achieve "Great Place to Work" accreditation based on our 2025 employee engagement survey and we have signed up to the Women in Finance Charter as our commitment to equality, diversity and inclusion deepens.

2025 was a tough year and I am proud at how well HTB performed in sub-optimal conditions. I know we ask a lot of our people - they are the single most important constituent of our winning formula. I am proud to lead an outstanding management team and a workforce that combines a relentless work ethic with high standards of capability and integrity.

Lastly, I want to thank all my non-executive Board colleagues for their constructive support, wise counsel and insightful challenge.



Matthew Wyles
Group Chief Executive Officer



Financial and business review

Financial performance indicators

Certain financial measures disclosed in the Annual Report and Accounts do not have a standardised meaning prescribed by international accounting standards and may not therefore be comparable to similar measures presented by other issuers. These measures are considered 'alternative performance measures' (non-GAAP financial measures) and are not a substitute for measures prescribed by international accounting standards. Definitions of financial performance indicators referred to in the Strategic Report (in alphabetical order) are set in the glossary on page 166.

Financial Position

| | Group 2025 £m | Group 2024 £m | Bank 2025 £m | Bank 2024 £m |
|---|---------------------|---------------------|--------------------|--------------------|
| Loans and advances to banks | 681.4 | 1,440.4 | 679.1 | 1,435.3 |
| Investment securities | 693.7 | 220.0 | 693.7 | 220.0 |
| Loans at fair value through profit or loss – <i>Development Finance</i> | - | 0.3 | - | 0.3 |
| Loans and advances to customers: | 4,662.2 | 3,581.5 | 4,540.4 | 3,391.9 |
| <i>Specialist Mortgages</i> | 3,224.7 | 2,394.5 | 3,224.7 | 2,394.5 |
| <i>Development Finance</i> | 601.9 | 364.5 | 601.9 | 364.5 |
| <i>Asset Finance</i> | 186.3 | 327.4 | 167.2 | 285.3 |
| <i>Wholesale Finance</i> | 546.6 | 347.6 | 546.6 | 347.6 |
| <i>Commercial and Retail Finance</i> | 102.7 | 147.5 | - | - |
| Investment in subsidiaries | - | - | 11.7 | 38.2 |
| Other assets | 90.5 | 144.5 | 201.6 | 301.8 |
| Total Assets | 6,127.8 | 5,386.7 | 6,126.4 | 5,387.5 |
| Customer deposits | 5,232.5 | 4,526.0 | 5,232.5 | 4,526.0 |
| Central bank facilities | 290.0 | 295.0 | 290.0 | 295.0 |
| Tier 2 capital | 81.7 | 56.1 | 81.7 | 56.1 |
| Other liabilities | 88.0 | 137.0 | 87.8 | 135.9 |
| Total Liabilities | 5,692.2 | 5,014.1 | 5,692.0 | 5,013.0 |
| Equity | 435.5 | 372.6 | 434.4 | 374.6 |
| Ratios/KPIs | | Restated | | Restated |
| Risk-weighted assets ("RWA") (£m) | 3,028.7 | 2,367.8 | 2,949.2 | 2,207.9 |
| RWA density (RWA / loans to customers) | 65.0% | 66.1% | 65.0% | 65.1% |
| Common Equity Tier 1 capital (£m) | 398.9 | 337.0 | 397.7 | 300.6 |
| Additional Tier 1 capital securities (£m) | 17.0 | 17.0 | 17.0 | 17.0 |
| Tier 2 capital (£m) | 80.0 | 45.1 | 80.0 | 45.1 |
| Common Equity Tier 1 ratio | 13.2% | 14.2% | 13.5% | 13.6% |
| Total capital ratio | 16.4% | 16.9% | 16.8% | 16.4% |
| Leverage ratio | 8% | 9% | 8% | 8% |
| Liquidity coverage ratio | 257% | 527% | 347% | 1,088% |

Profit and loss

| | Group 2025 £m | Group 2024 £m | Bank 2025 £m | Bank 2024 £m |
|---|---------------------|---------------------|--------------------|--------------------|
| Interest and similar income | 402.4 | 363.0 | 396.9 | 352.2 |
| Interest expense and similar charges | (229.3) | (209.2) | (229.3) | (206.9) |
| Net interest income | 173.1 | 153.8 | 167.6 | 145.3 |
| Operating lease income | 0.2 | 0.6 | - | - |
| Fees and commissions income | 3.2 | 3.4 | 3.0 | 3.2 |
| Fees and commissions payable | (1.1) | (1.4) | (1.1) | (1.4) |
| Net loss on loans and other assets at fair value through profit or loss | (1.1) | (0.3) | (1.1) | (0.3) |
| Net (loss)/gain arising from derecognition of financial assets measured at amortised cost | (0.8) | 7.3 | (0.8) | 7.3 |
| Other income | - | - | 2.9 | 3.9 |
| Operating Income | 173.6 | 163.4 | 170.6 | 158.0 |
| Impairment loss | (6.5) | (11.3) | (9.1) | (9.8) |
| Impairment loss on investments in subsidiaries | - | - | (26.5) | (11.2) |
| Administrative expenses | (84.6) | (80.5) | (83.0) | (75.5) |
| Profit before tax and dividends | 82.5 | 71.6 | 52.0 | 61.5 |
| Dividends received | - | - | 26.5 | 11.0 |
| Profit before tax | 82.5 | 71.6 | 78.5 | 72.5 |
| Tax | (19.2) | (19.9) | (18.4) | (19.4) |
| Profit for the period | 63.3 | 51.7 | 60.1 | 53.1 |
| Underlying operating income | | | | |
| Operating income | 173.6 | 163.4 | 170.6 | 158.0 |
| Less management recharges (Note 12) | - | - | (2.9) | (3.9) |
| Underlying operating income | 173.6 | 163.4 | 167.7 | 154.1 |
| Ratios | | Restated | | Restated |
| Gross income margin | 9.8% | 10.9% | 10.1% | 11.5% |
| Underlying gross income margin | 9.8% | 10.7% | 10.0% | 11.2% |
| Blended cost of funds (after hedging) | 4.3% | 4.7% | 4.2% | 4.7% |
| Net Interest Margin | 4.2% | 4.5% | 4.2% | 4.6% |
| Net revenue margin | 4.2% | 4.8% | 4.3% | 5.0% |
| Underlying net revenue margin | 4.2% | 4.6% | 4.3% | 4.6% |
| Cost to asset ratio | 2.1% | 2.4% | 2.1% | 2.4% |
| Underlying cost to asset ratio | 2.1% | 2.4% | 2.0% | 2.3% |
| Cost to income ratio | 48.8% | 49.3% | 48.7% | 47.9% |
| Underlying cost to income ratio | 48.5% | 51.6% | 47.6% | 48.8% |
| Cost of risk | 0.2% | 0.3% | 0.3% | 0.3% |
| Return on Tangible Equity | 17.5% | 16.9% | 16.7% | 16.9% |
| Return on required equity (post tax) | 21.8% | 21.8% | 22.4% | 25.6% |
| Return on equity (post tax) | 15.7% | 14.9% | 14.9% | 15.2% |

Review of financial performance

The Group's primary business focus is on providing finance and specialist solutions to its customers and supporting their ambitions. The principal lending activities are focused on the following customer segments:

Core lending business:

Specialist Mortgages (SM) provides various forms of mortgage loans to portfolio landlords and property investors via a panel of specialist brokers. Lending comprises buy-to-let mortgage loans secured on residential properties, semi-commercial loans (where the property is mainly residential housing), bridging finance for property investors in the residential market and commercial investment mortgages on commercial premises. The book grew 34.7% to £3,224.7m, reflecting growth through our customers and regional expansion (2024: £2,394.5m).

Development Finance (DF) provides finance mainly for development to well-established UK SME house builders and property developers. The business lends throughout England and Wales and is mostly sourced direct from the market. There was an increase of 65% in loans and advances to customers during the year to £601.9m (2024: £364.5m). We continue to build this asset class with expansion into different regions.

Wholesale Finance (WF) provides lending facilities to a range of non-bank finance companies secured on their underlying loan receivables or against the value of their debt funds. The key products offered are Block Discounting, Structured Finance and Fund Finance. The loan book increased by 57.2% to £546.6m (2024: £347.6m).

Closed lending books

Asset Finance (AF) provided leasing and hire purchase secured on vehicles and business assets. Following a strategic review the decision was made in 2024 to cease new business under the HTB brand. Combined with the closed HLF book, which has been in run-off since the 2022 acquisition, the Group's Asset Finance book was £186.3m (2024: £327.4m).

Commercial and Retail Finance Commercial lending provided specialist acquisition finance to enable the purchase of professional practices, predominantly by dentists and pharmacists, and Retail Finance consisted of point of sale loans to retail customers. These portfolios were acquired by the Group as part of the HLF lending book in 2022 and were put into run-off with a remaining book of £102.7m (2024: £147.5m).

Deposit book:

Savings provides a wide range of savings solutions with competitive interest rates including easy access, notice and fixed term accounts as well as fixed and easy access cash ISAs for both personal and business customers. The Group is predominantly funded by deposits sourced directly and with strategic partners through on-line marketing and in product best buy tables, which are serviced by our in-house team principally through an online portal. The Group's loan to deposit ratio was 89.1% (2024: 79%) and deposit balances increased to £5,232.5m (2024: £4,526.0m). The number of depositors has risen from 67,798 at the start of the year to 69,633 at the year end. Qualifying deposits with the Bank are protected under the terms of the Financial Services Compensation Scheme.

Strong growth supported by prudent liquidity and capital management

The Group continued to grow strongly in 2025, supported by careful management of liquidity and capital.

Profit before tax and dividends increased by 15.1% to **£82.5m** (2024: £71.6m), driven by strong loan growth and better impairment performance, while the business continued investing in customer services and infrastructure to support its growth.

The Group's operating income increased 6.2% to **£173.6m** (2024: £163.4m) and 2024 included the gain on securitisation of £7.3m. The Bank's operating income grew 8.0% to **£170.6m** (2024: £158.0m), supported by strong organic growth across all main business areas. The Bank's net loans and advances increased **33.8%** to **£4,540.4m** (2024: £3,392.2m).

Underlying Group Gross Income Margin (GIM) reduced to **9.8%** (2024: 10.7%) because lower Bank of England base rates affected variable rate loans and product mix changes. Deposits grew 15.6% (2024: 38.8%) whilst the **blended cost of funds** improved to **4.3%** (2024: 4.7%), reflecting the lower base rate and slower repricing of deposits in a market that was competitive all year. As a result, **Net Interest Margin (NIM)** decreased to **4.2%** (2024: 4.5%).

The Group's administrative expenses rose to **£84.6m** (2024: £80.5m), mainly due to increased staff costs (FTEs rose from 421 to 458) and continued investment in systems offsetting reduced costs from the closed portfolios. Additionally, these expenses include a provision of £2.2m in relation to the Discretionary Motor Finance Commission Arrangement redress scheme. The **Cost to Asset Ratio** improved to **2.1%** (2024: 2.4%), and the Cost to Income Ratio improved to **48.8%** (2024: 49.3%). The **Underlying Cost to Income Ratio** also improved to **48.5%** (2024: 51.6%).



The Group continued to focus closely on credit quality. **Expected credit loss provisions** in the Bank reduced to £21.5m (2024: £21.8m), with the **coverage ratio** at **0.5%** (2024: 0.5%) reflecting the Group's robust processes in managing and reviewing loan risk appetite and supporting customers in financial difficulties. Macroeconomic assumptions used in our IFRS9 models improved slightly during the year, but our probability weighting of the scenarios remained unchanged. The Bank's net impairment charge reduced to **£9.1m** (2024: £9.8m), and the Group's reduced to **£6.5m** (2024: £11.3m). As a result, the **cost of risk** remained stable at **0.3%** for the Bank and improved to **0.2%** for the Group (2024: 0.3% for both).

The Group remained largely funded through retail deposits and successfully completed a **Tier 2 capital issuance** during the year. Additionally, TFSME drawings were fully repaid during the year and £290.0m was drawn under the **ILTR** (Indexed Long-Term Repo) facility (2024: £0m). Liquidity remained very strong, with the **Bank LCR** at **347%** (2024: 1,088%) and the **Group LCR** at **257%** (2024: 527%).

CET1 capital rose to **£398.9m** for the Group (2024: £337m) and **£397.7m** for the Bank (2024: £300.6m). The **CET1 ratios** were **13.2%** for the Group and **13.5%** for the Bank (2024: 14.2% and 13.6%). **RWA density** was **65%** for the Group (2024: 66.1%) and **65%** for the Bank (2024: 65.1%). The **leverage ratio** was **8%** for both Group and Bank (2024: 9% Group, 8% Bank).

The PRA Policy Statement PS 9/24 Implementation of the Basel 3.1 standards near-final part 2 was published on 12 September 2024 with an implementation date of 1 January 2026. In January 2025, the PRA announced a one-year delay to Basel 3.1 implementation moving the effective date to 1 January 2027. The majority of rules applicable to the Group remain unchanged, including the removal of the small and medium-sized enterprises ("SME") supporting factor.



Risk management

The Group's approach to risk

Effective risk management plays a key role in the successful execution of the Group's business strategy as encapsulated within our overarching Risk Appetite Statement – "To run a sustainable, safe and sound business that conducts its activities in a prudent and reputable manner taking into account the interests of our customers and key stakeholders".

Risk Culture

The Board is responsible for setting the 'tone from the top' and ensuring that a strong risk culture exists across the Group.

The Group has set a target Risk Culture – 'A proactive and resilient risk culture that supports sustainable growth, protects our stakeholders, ensures compliance with regulation, and ensures HTB's risk profile is managed within appetite.'

The Risk Culture framework sits across four target behaviours and eight principles:



Figure 1 – HTB's Risk Culture framework

Risk management strategy

The development and implementation of the Group’s risk management strategy and objectives are the responsibility of the Chief Risk Officer (CRO), the Executive Management team and ultimately subject to Board approval. Effective risk management plays a key role in the execution of the Group’s strategy, and risk taking is an inherent part of the Group’s business activities in the pursuit of its corporate objectives. Through the Risk Management Framework (RMF), the Board sets out how it will ensure that the risks that the HTB Group take are identified, managed, monitored and reported effectively.

The Risk Management strategy and RMF are built around to the following core principles:

- To make Group safe, secure and resilient.
- To minimise losses and damage to the Group.
- To help to optimise returns.

- Ensure Risk Culture is at the heart of everything we do
- To ensure that the Group retains credibility with its key stakeholders and customers.

Risk Management Framework

The Risk Management Framework sets parameters within which all the Group’s activities are executed. This ensures we identify, measure, monitor and control the risks to which the Group is exposed. The RMF is supported by supplemental frameworks, policies and procedures that, together, ensure that risks are managed in a manner appropriate to the size of the Group and the complexity of its operations.

The design and effectiveness of the RMF is overseen and reviewed by the Board Risk Committee on a regular basis and at least annually.

Risk Appetite Framework

The Risk Appetite Framework (RAF) clearly articulates, in a structured and systematic manner, the level and types of risk that the Group is willing to accept and must take in meeting its business objectives. The RAF:

- Identifies, in both qualitative and quantitative terms, the type and level of risk that the Group is willing to accept across a range of business drivers, in pursuit of its corporate objectives.
- Establishes a framework for decision making based on risk appetite statements and metrics.
- Enables a view of risks across the whole business.

The RAF is structured around the Principal Risks agreed by the Board, with each Principal Risk being supplemented by a suite of more granular Supporting Risks. For each Supporting Risk, the Group articulates a Risk Appetite Statement with limits that are monitored via the use of specific Risk Appetite metrics and Key Risk Indicators (KRIs). The Risk Appetite metrics are clearly measurable against the Corporate Plan, are actionable and have an assigned limit to monitor performance against the Risk Appetite. The KRIs which support the Risk Appetite metrics, are reported monthly to the relevant risk committees.

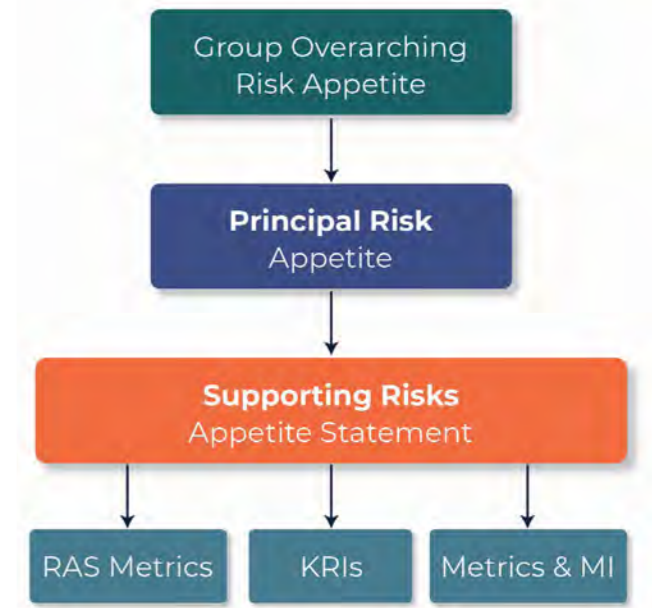


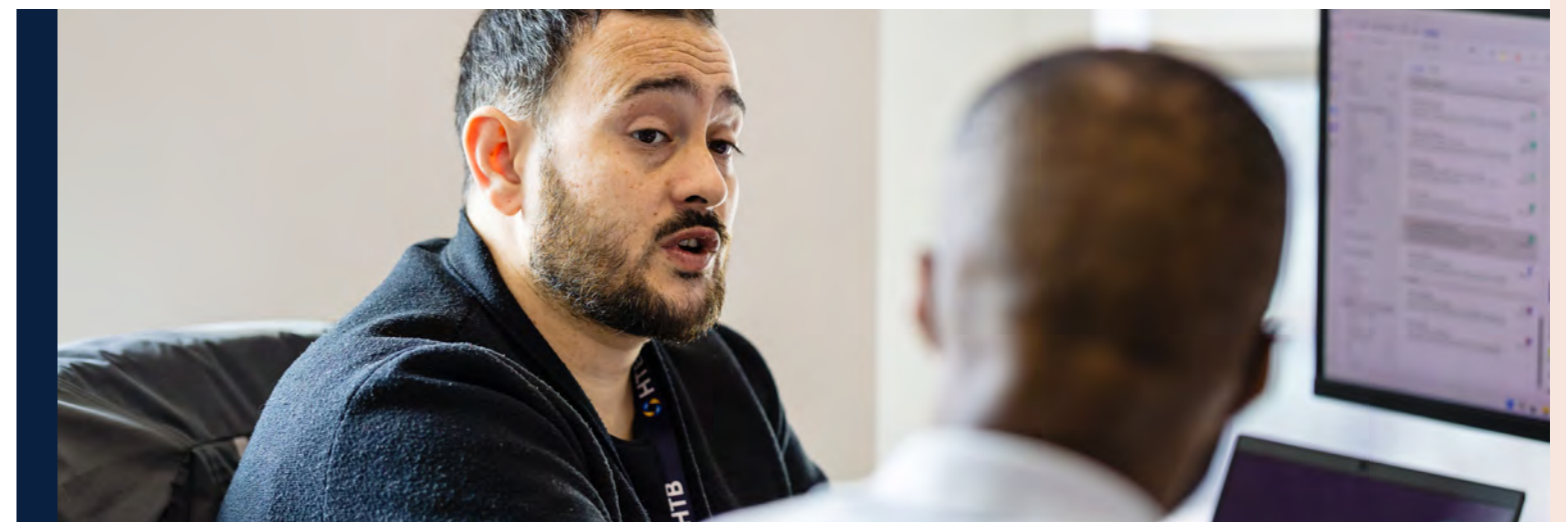
Figure 3 – Structure of the Risk Appetite Framework

Performance against Risk Appetite Metrics and KRIs is regularly reported to the Board and Board Risk Committee via appropriate executive committees.



- 1. Risk Identification**
 - Risk Register
 - Principal Risk Framework
 - Emerging Risks
- 2. Risk Measurement**
 - Risk Appetite Metrics
 - KRIs
 - EWIs
 - Stress Testing
- 3. Risk Measurement**
 - Risk Reporting
 - Internal Reporting
 - External Reporting
- 4. Risk Controls**
 - Risk Policies
 - Risk Mitigation
 - Escalation Procedures

Figure 2 – Structure of the Risk Management Framework



Risk governance and oversight

Risk governance describes the design of the allocation and delegation of primary accountability, authority and responsibility for risk management across the Group by the Board. The Board reviews and approves the business strategy, ensuring it is consistent with risk appetite. The Board also assures that the RMF is appropriate and is operating effectively with sufficient governance, often through appropriate sub committees, to ensure risk appetite is being adhered to.

The Group operates a Three Lines approach to manage its risks. The Three Lines model provides a simple and effective way to segregate activities and enhance communications on risk management and control by clarifying essential roles and duties and enabling the Group to manage its risks proactively. The roles and responsibilities of the Three Lines are outlined below:

First Line – business units

The business units and central functions have ownership of risk, whereby they acknowledge and manage the risk that they incur in conducting their activities. The first line has primary responsibility for the day-to-day management of these risks and the implementation of mitigating controls in line with approved policies, frameworks, processes and procedures. They are responsible for risk event identification, root cause analysis where applicable and early escalation. They will also test key controls, providing regular assurance.

Second Line – risk and compliance function

The risk function (or “risk & compliance”) is independent of the business units and other central functions of the Group and is the Second Line of the Three Lines approach to risk management. The main responsibility of the Second Line is to ensure that all risks are identified, measured, monitored, controlled and reported by the relevant units in the institution.

It is accountable for the development and implementation of the Group’s Risk Management Strategy, and maintains the RMF, supplemental frameworks and risk policies. It proposes the risk appetite of the Group and ensures it is appropriately translated into specific risk limits.

It ensures there are effective processes and controls in place in the First Line by providing independent challenge, oversight and ongoing assurance of the adequacy and effectiveness of risk management within the business units.

Third Line – internal audit

The internal audit function is charged with the third line, conducting risk-based and general audits and reviews to provide assurance to the board that the overall governance framework, including the risk governance framework, is effective and that policies and processes are in place and consistently applied.

Internal audit operates under the direction of the Board Audit Committee and provides independent assurance to the Board that the First and Second Lines are discharging their responsibilities effectively. The Group currently outsources this function to Deloitte, an independent professional services firm.

Stress testing

Stress testing is an important risk management tool for the Group and is used to inform the setting of risk appetite limits. Stress testing is also used to inform the Group’s annual key risk assessments and determination of required buffers, forward-looking strategic planning for capital and liquidity management, and key prudential processes including the ICAAP, ILAAP and Recovery Plan. Climate risk stress testing is also undertaken to assess the potential financial impact of both transitional and physical risks.

In addition, HTB also completes scenario testing as part of its operational resilience framework. Scenario testing requires HTB to test its ability to respond to severe but plausible operational disruptions with the aim of ensuring any vulnerabilities to Group’s ability to remain within impact tolerance are identified and addressed.

The Group undertakes stress testing to assist the Board in understanding its key risks, and the scenarios and sensitivities that may adversely impact on its financial and/or operational performance and resilience. Stress testing is an integral element of the Risk Management Framework as it is used to:

- Inform the identification and calibration of risk appetite measures;
- Test the adequacy of the Group’s capital, funding and liquidity to withstand the emergence of risks under both normal and stressed conditions;
- Demonstrate the adequacy assessment of the potential management actions available to mitigate the effect of adverse events;
- Support the identification of any potential gaps in the Risk Management Framework, not readily apparent from the management of day-to-day risks; and
- Provide a view of climate change risk and its impact on the financial risks of the Group.



Principal risks and risk mitigation

The principal risks the Group faces, and how we mitigate the risks, are described below. These should not be regarded as a comprehensive list of all the risk and uncertainties faced by the Group but rather a summary of the primary risks which have the potential to significantly impact the achievement of strategic risks:

| Principal Risk | Definition | Sources of risk exposure | How we mitigate the risk |
|-----------------------------|---|---|---|
| Business and strategic risk | <p>The uncertainty related to strategic choices such as misreading of the external environment or external change.</p> <p>The failure to identify or monitor emerging risks in regulatory, macroeconomic or competitive environments, resulting in a failure to deliver business objectives.</p> <p>The failure of Governance or culture leading to franchise damage.</p> | <ul style="list-style-type: none"> The key sources of business and strategic risk are lending growth, product governance, change governance and market competition | <ul style="list-style-type: none"> All new business initiatives and product or service propositions undergo rigorous analysis and challenge prior to launch. Transformation spending and prioritisation is managed through a specialised Change Committee. The impact of regulatory expectation and legislative requirements are a key consideration in change and transformation Our four core values are Specialist Customer Focus, Unwavering Integrity, Delivering Excellence and Team HTB. The values are aligned to defined behavioural standards to underpin the commitment to excellence, integrity and purpose. We model and stress test the impact of new investments on our existing business ensuring capital, liquidity and funding requirements remain within risk appetite |

| Principal risk | Definition | Sources of risk exposure | How we mitigate the risk |
|----------------|--|---|--|
| Credit risk | <p>The risk that a borrower or counterparty fails to pay the interest or repay the principal on a loan on time.</p> <p>In relation to the Group's Treasury activities there is a risk that acquired securities or cash placed on deposit with other financial institutions is not repaid in full or in part or financial transactions are not settled.</p> | <ul style="list-style-type: none"> The key source of credit risk is the group's loans and advances to customers There is also a small counterparty credit risk exposure relating to Treasury assets held for liquidity management | <ul style="list-style-type: none"> We maintain a diversified portfolio of loans by originating in markets we understand and by limiting concentrations by size proportionate to our own balance sheet size and position in the market, by asset class, collateral type, geography, sector and (where appropriate) by sub-sector We have a Credit Risk Management Framework that includes detailed lending policies, underwriting manuals and a defined problem debt management process Lending performance against risk appetite is monitored regularly. Credit decisions are made using a combination of due diligence, reviewing credit agency reports, reviewing financial information, credit scores and using the expert opinion of our underwriters We consider threats from climate change (e.g. flood risk and transitional energy performance legislation) in our approach to underwriting We undertake regular reviews of our loan portfolios and ongoing assurance testing of lending decisions and our processes HTB's Liquidity and Wholesale Credit Risk policies allows the bank to invest liquidity in cash (placed with central or highly rated commercial banks) and in AAA-rated securities. |

| Principal risk | Definition | Sources of risk exposure | How we mitigate the risk |
|----------------------------|--|--|---|
| Capital risk | The risk that the Group will have insufficient capital to cover unexpected losses, meet regulatory requirements or support growth plans. | <ul style="list-style-type: none"> Capital risk exposure concerns the potential for unexpected losses to deplete capital resources or an increase to minimum requirements | <ul style="list-style-type: none"> We set a prudent risk appetite which is approved by the Board and reviewed at least annually. This considers the necessary time lag for management actions to take place. We meet, as a minimum, all regulatory prescribed ratios We monitor current and forecast levels of capital against our risk appetite and report to Asset and Liability Committee (ALCO) and the Board regularly Capital forecasts, and their compliance with our risk appetite, form an integral part of the annual budgeting process ICAAP stress testing is well embedded and used to inform risk appetite, Early Warning Indicators (EWIs), Recovery Indicators and business strategy. |
| Liquidity and funding risk | <p>Liquidity risk – The risk that the Group is unable to meet its financial obligations as they fall due; smooth out the effect of maturity mismatches; or maintain public confidence.</p> <p>Funding risk – The risk that the Group is unable to continue to fund asset growth or future liquidity requirements at an affordable price.</p> | <ul style="list-style-type: none"> The key source of liquidity risk is the Group's retail and wholesale deposits Funding risk arises from the structural composition of the Group's liabilities and includes the duration and concentration of funding | <ul style="list-style-type: none"> We set a prudent risk appetite which is approved by the Board and reviewed at least annually. This considers the necessary time lag for management actions to take place. We meet, as a minimum, all regulatory prescribed ratios We monitor current and forecast levels of liquidity against our risk appetite and report to Asset and Liability Committee (ALCO) and the Board regularly Liquidity forecasts, and their compliance with our risk appetite, form an integral part of the annual budgeting process ILAAP stress testing is well embedded and used to inform risk appetite, EWIs, recovery indicators and business strategy We maintain liquidity buffers and contingency funding plans against various stressed liquidity scenarios |

| Principal risk | Definition | Sources of risk exposure | How we mitigate the risk |
|----------------|--|--|---|
| Market risk | The risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. | <ul style="list-style-type: none"> Market risk is the result of the Group's core activities of lending and deposit-taking Recognised risks include interest rate risk, basis risk and behavioural risks including optionality The Group does not have any trading book exposure | <ul style="list-style-type: none"> We manage exposures to a very low level against our capital and earnings positions Where possible we match the interest rate structure of assets with liabilities or deposits to create a natural hedge We use swap agreements where required to manage basis and repricing risks within appetite We capture pipeline risk (where the behaviours of assets and liabilities do not match expectations) and optionality risk (where early terminations can worsen mismatch positions) We monitor the credit spread risk in the liquid asset portfolio We exchange or swap any FX exposure into GBP All above risks are reported to ALCO and Board |



| Principal risk | Definition | Sources of risk exposure | How we mitigate the risk |
|--------------------------------------|--|--|--|
| Operational risk and resilience risk | <p>Operational risk – The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal and regulatory risk.</p> <p>Operational resilience risk – The risk that the Group is unable to prevent, adapt to, respond to, recover from, or learn from operational disruptions.</p> | <ul style="list-style-type: none"> Operational risk is identified and managed through the Risk and Control Self-Assessment (RCSA) framework. Key sources of risk include data, process execution, transformation, facilities and third-party risk management. | <ul style="list-style-type: none"> The Group's Risk and Control Self-Assessment (RCSA) framework is well-embedded and reflects best practice, ensuring the identification of risks across the Group and the assessment of the effectiveness of the controls which mitigate them We ensure all staff understand and follow the Operational Risk Management Framework (ORMF) We provide training and guidance to first line staff on aspects of the Framework via both the Risk Champions forum and formal training sessions We have a defined Operational Resilience Policy We have mapped all Important Business Services (IBS) and set impact tolerances for each We have embedded an operational resilience testing plan which includes scenario testing of IBS and other scenario testing e.g. incident management, disaster recovery, cyber security |
| Regulatory and conduct risk | <p>Regulatory – The risk of regulatory or legal sanctions, material financial loss, or loss of reputation as a result of a failure to comply with applicable laws, codes of conduct or standards of good practice.</p> | <ul style="list-style-type: none"> The principal sources of exposure are the regulated lending and deposit activities the Group undertakes in a highly regulated market. Additional risk is driven by governance, assurance, legal risk, data privacy and regulatory management | <ul style="list-style-type: none"> We operate a Conduct and Compliance Risk Management Framework supported by a number of policies and procedures that set out how we manage these risks and the minimum standards that we expect Our business lines are primarily responsible for the management of these risks, but with strong oversight from the Second Line compliance function |

| Principal risk | Definition | Sources of risk exposure | How we mitigate the risk |
|---|--|--|--|
| Regulatory and conduct risk <i>Continued</i> | <p>Conduct – The risk that the business strategy, the culture, and the manner in which the business is run, creates unfair customer outcomes and detriment to customers and/or undermines market integrity.</p> | <ul style="list-style-type: none"> Key sources of conduct risk include employee conduct and culture, underpinning the provision of products and services that are fairly priced, properly governed and meet customers' needs in a fair manner. Further conduct risk is associated with the failure to address customer detriment quickly and fairly | <ul style="list-style-type: none"> New and emerging regulatory driven changes are overseen through our horizon-scanning process We design our products and services so that they consistently deliver fair outcomes for our customers We complete regular and themed assurance testing of our activities to ensure that we are operating within our Board approved risk appetite and prevailing legal and regulatory requirements We complete money laundering and financial fraud checks on our customers at application stage and during the customer lifecycle |
| Climate risk | <p>The threat to HTB Group's business from physical or transitional climate risks.</p> | <ul style="list-style-type: none"> The key sources of climate risk are the Group's operational and financial exposure to physical risks and the market-wide transition risk associated with net-zero policy implementation | <ul style="list-style-type: none"> We monitor exposure to climate risk and escalate agenda items across the Group's risk committee structure and Board We closely monitor external climate risk policy, regulatory guidance and industry advances relating to climate change, considering both transition and physical risks We assess the impact of these changes/advances on our strategy and risk profile and consider possible impacts on our reporting obligations and our reputation We are reducing operational emissions and maintaining carbon-neutral status We fund environmentally sustainable property developments Our voluntary disclosures on climate-related risks and opportunities are produced in line with the TCFD framework |

Emerging risks

The Group recognises the dynamic nature of risk management and follows a structured approach to the identification and monitoring of emerging risks that could, in the future, affect the business model. An emerging risk is an identified risk on the horizon; however, it is not yet clear whether the risk will impact the Group or if it does, to what extent it will impact.

Emerging risks are reviewed regularly by the Board and Board Risk Committee. Regulatory horizon scanning is maintained and tracked through monthly management committees.

The HTB Group's main emerging risks comprise of the following:

Economic and geopolitical uncertainty

The risk that changes in the macroeconomic environment or consumer sentiment negatively impact the Group's performance and or strategic goals.

Macroeconomic uncertainty remains high amid persistent inflation, subdued growth and unclear timing and scale of changes to future BOE rates. cuts. Intensifying global power imbalances amplified by the United States' strategic retrenchment, Europe's accelerated defence spending, and the escalating conflicts in the Middle East are deepening economic uncertainty, sharply increasing energy prices and mounting inflationary pressures, which will weigh further on already-fragile consumer and business sentiment.

While the Group's lending is predominantly in the UK, this uncertainty impacts business and consumer confidence and affects SME's financial health and investment decisions which can lead to decreased market opportunity as well as depressed profitability which could lead to increased debt service issues.

Companies that have accessed debt funding have faced increased debt service costs due to the prolonged interest rate environment, which may lead to increased debt service issues should future anticipated rate cuts not materialise.

Consumers/renters who continue to be impacted by the cost-of-living crisis may struggle to meet their financial commitments which could impact both repayment profiles and consumer demand. This may have an impact on housing markets should these dynamics deteriorate.

The Group has set a risk appetite and regularly monitors debt serviceability, credit quality and portfolio performance. The Group regularly stress tests the lending portfolio through IFRS9 modelling as well as firm-wide stress testing through ICAAP and ILAAP. Additional market monitoring and close business performance management are standing metrics in monthly Management Information.

Regulatory change

The risk of financial loss, operational disruption, or reputational damage caused by changes in laws, regulations, or supervisory expectations, or by failing to comply with existing ones.

As a UK Deposit Taker, the Group is extensively regulated by the Prudential Regulatory Authority ("PRA") and Financial Conduct Authority ("FCA"). In 2026, this includes a notable change agenda, including preparations for the 2027 implementation of Basel 3.1 and the Strong and Simple Framework available to Small Domestic Deposit Takers ("SDDTs"), enhanced expectations regarding the identification, management and reporting of climate risk and continued focus on operational resilience with regard to third-party risk, cyber risk, and data infrastructure.

Other key areas of focus for banks include enhanced controls on money-laundering, fraud prevention and financial crime, while continuing embedding their consumer duty frameworks.

The Group manages this risk via continued horizon scanning of regulatory guidance together with market awareness of current timescales for change and consultation with the regulators. It maintains strong, open relationships and effective communication with its regulators and, through its membership of UK finance, contributes to regulatory consultations.

Artificial intelligence

The risk that the adoption of artificial intelligence and machine learning (AI/ML) technologies results in increased potential for negative outcomes, vulnerabilities and unforeseen consequences.

Artificial intelligence introduces a range of emerging risks for the banking sector. AI 'hallucinations' – where systems generate plausible but incorrect outputs – pose material risks if used in customer advice, risk assessments, or regulatory reporting without appropriate controls or training. Over-reliance on AI can also erode user capability, as staff may lack the skills to challenge, interpret, or override model outputs.

However, consumer demands continue to evolve, demanding improvements to existing capabilities, products and standards throughout the Financial System. Competitors are adapting and AI is a key technology to driving the change at speed. The risk is that the Group fails to adapt or keep pace with the scale of this change, and firms which fall behind and fail to leverage AI will struggle to remain competitive.

Additional risks associated with AI include increased model risk where a 'black box' can undermine model explainability, while bias embedded in training data may lead to discriminatory outcomes in credit, pricing, or fraud detection. Increased reliance on third-party AI vendors heightens concentration and operational resilience risks. Cyber threats are amplified. Finally, rapid deployment of AI can outpace governance frameworks, creating gaps in accountability, model oversight, and compliance with evolving regulatory expectations across jurisdictions.

The Group has an AI policy which defines the principles, responsibilities, and boundaries governing the use of AI across the Group. It ensures AI is deployed in a responsible, explainable, ethical, and regulatory-compliant manner that aligns with guidance from the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), and the Bank of England. The Group also undertakes horizon

scanning of the developing AI landscape to identify opportunities as well as threats.

Climate change

Considers the physical impacts of climate change and the transitional risks associated with the move to a lower carbon economy.

Climate risk is increasingly on the regulatory agenda with 2025 seeing an updated set of expectations published by the PRA which reflect new international standards and embeds improved understanding of climate-related risks. More widely, investors and customers are increasingly becoming sensitive to ESG matters including climate change. Firms are therefore expected to continue to build capabilities to identify effectively and manage climate-related risks, and to incorporate them into their business strategy.

Physical risk is the risk of physical damage from the impacts of climate change and can be related to specific weather events (such as heat waves, floods, wildfires and storms) and longer-term shifts in climate (such as changes in precipitation and extreme weather variability, sea level rise and rising mean temperatures). This could lead to business disruption, damage to assets which could lead to lower property and asset values, lower household wealth and lower corporate profits and litigation.

Transition risks arise from the process of mitigating climate change, including adjustments to enable a net-zero emissions economy. These adjustments include technological innovations, policy decisions and market changes and could impact sectors of the economy disproportionately, leading to lower growth and productivity for our customers, and ultimately increased credit risk and losses.

The Group has a board-approved Environmental and Sustainability Policy, incorporating the risks associated with climate change. Further details on the identification and management of climate risk can be found in the climate-related disclosures in the 2025 HTB Sustainability Report.

Stakeholder engagement and Section 172(1) statement

The directors recognise, and are fully committed to, their responsibilities under section 172(1) (a) to (f) of the Companies Act 2006, ensuring they take into account the likely consequences of any decision in the long term and act in good faith to promote the success of the Group for the benefit of its members as a whole, taking into account the interests of the Group's stakeholders and maintaining a reputation for the highest standards of business conduct.

The Board of directors (Board) has identified the Group's key stakeholder groups as being employees, customers, shareholders, brokers, suppliers and regulators, as well as recognising the Group's impact on, and responsibilities towards, the wider community and the environment.

Recognising that it is primarily the directors of the Group's subsidiary HTB Leasing & Finance Limited (HLF) (formerly Wesleyan Bank Limited) that are responsible for the governance of HLF, the Board maintains close oversight of activities from a Group perspective.

The following statement sets out how the Board has had regard to these matters during the course of the year and further information on how the Group engages with its stakeholders. Further detail on the Group's workforce, customer, community, environmental, climate and supplier-related disclosures is set out in the 2025 HTB Sustainability Report, which is published separately and available on the Bank's website.

Employees

The Board recognises that the Group's colleagues are fundamental to the delivery of its strategy. During the year, the Board had regard to employee interests when considering matters relating to

culture, engagement, remuneration, wellbeing, retention and learning and development.

Customers

The Board recognises that building a sustainable and enduring business franchise is dependent on providing products and service levels that meet the needs and expectations of the Group's customers. Across the Group's various specialist lending businesses, customers include professional landlords, property developers, non-bank lenders and small and medium sized enterprises (SMEs) and Corporate borrowers. Across the Savings business, customers are the Retail, SME and Corporate customers placing deposits with us.

Community

As a specialist Bank, it is important for us to give the right support at the right time for communities and businesses to thrive.

Regulators

The Group operates in a highly regulated market and, as such, is subject to the regulation of both the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). The Board has an intense focus on its own responsibilities and those of the relevant Senior Management Function (SMF) responsibility holders. The Board is also focused on ensuring that the Group embeds high standards of conduct into its product design, service delivery and culture, as well as considering correspondence and publications from the regulatory sphere which may have an impact on this.

The Board Chair and the Chairs of the Board Risk, Remuneration and Audit Committees as well as the CEO and CFO regularly engage with regulators and the Board is committed to maintaining an

open and active dialogue with the Group's regulators.

Brokers

Brokers are a key source of business for the Group and, as such, are vital to the success of the Group. The Group undertakes regular and frequent engagement with brokers to understand their views on the Group's products and service levels. This regular contact allows brokers to discuss new and existing business proposals as well as maintaining and developing the relationship and their knowledge of the Group's products and service. Roadshows and networking events are undertaken with brokers to promote the Group's products and provide training on its criteria and processes.

The Board understands that brokers, (1) want products that meet the needs of their customers, (2) want clarity of lending criteria so they are confident that they are placing business with the right funders, (3) want the ability to discuss their customer's requirements with experts and clear information on the progress of the transactions they introduce, and (4) want speed of delivery and processes that make the process easy.

Shareholders

The Group's shareholders are critical to the success of the Group as the providers of capital to underpin the growth and development of the business and to input into the strategy of the Group. Representatives of the Group's shareholders have seats on the Board, ensuring they are kept up-to-date on the performance of the Group. The shareholders are fully engaged with the key performance metrics provided (including capital, profitability and return on equity) and are pivotal in reviewing and challenging the Group's annual Corporate Plan and strategy. The Board maintains a close working relationship with the shareholders' representatives centred on the development and execution of the Group's strategy.

Environment

The Board recognises the importance of environmental and ESG considerations to the Group's long-term success. Oversight is exercised through the Board and the ESG Committee.

Suppliers

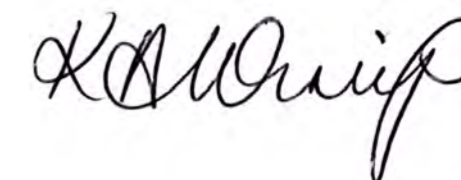
The Board recognises the importance of suppliers to the Group's operational resilience and customer service. Oversight is exercised through the Group's supplier risk management and payment practices.

Reputation

The desirability for the Group to maintain a reputation for high standards of business conduct is a core focus of the Board. The Board has approved and overseen the implementation of a restated set of values and behaviours that underpin the Group's desire for high standards of business conduct by way of 'excellence through specialism'. The four core values and behaviours based on customer, delivery, integrity and people include:

- Specialist customer focus – We engage with customers to understand their needs, and we respond by delivering specialist, high quality solutions.
- Unwavering integrity – We act with integrity. We embrace both the spirit and the letter of the legal and regulatory standards. We recognise the value they add.
- Team HTB – We foster a respectful and inclusive culture where colleagues feel valued, empowered and heard.
- Delivering excellence – We uphold excellent standards in all our operations and processes to ensure consistency and accuracy in every transaction.

The Strategic Report has been reviewed and approved by the Board and signed on its behalf by:



Kathryn Winup
Chief Financial Officer

Date: 26 March, 2026

Corporate governance

The Wates Corporate Governance Principles

The Group has adopted the Wates Corporate Governance Principles for Large Private Companies as the most appropriate governance framework, having regard to its size, ownership structure and regulatory environment. Although the Bank is privately owned, it meets the criteria of a large private company under the Companies (Miscellaneous Reporting) Regulations 2018.

The Board considers the Wates Principles to provide a proportionate, principles-based framework that supports transparency, accountability and long-term sustainable success, and is more suitable than the UK Corporate Governance Code, which is designed for premium-listed companies. The Group applies the Wates Principles on an “apply and explain” basis, and the Board keeps its choice of governance framework under regular review.

Application of the Wates Principles has enabled the Group to continue strengthening its governance framework for the benefit of all stakeholders, ensuring that the Group is well managed and aligned behind a clear purpose.

The table on the following page sets out how the Group has applied each of the six Wates Principles during 2025.



| Principle | How it is applied |
|---|---|
| Purpose and Leadership – an effective board develops and promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose | <ul style="list-style-type: none"> The Board is collectively responsible for promoting the long-term sustainable success of the Group, generating value for shareholders and contributing to wider society. It establishes the Group's purpose, mission, values and strategy, and leads the development of the Group's culture. The Board delegates the day-to-day responsibility for the implementation of the strategy, development of the culture and the management of the Group to the Chief Executive Officer, who is supported by the Group Executive Committee. Progress is monitored and challenged through regular reporting and Board oversight. In 2025, the Board and the Group Executive Committee continued to build upon its Specialist Bank proposition of being 'the go-to bank in our chosen markets' and 'Excellence through Specialism' through a restated set of values and behaviours. These underpin the Group's strategy to operate selectively in chosen markets and to become the first choice for brokers and customers. The Group's vision, values and expected behaviours have been communicated throughout the organisation by the Chief Executive Officer and the Group Executive Committee. They are embedded in decision-making processes, staff objectives and performance appraisals, ensuring consistent alignment with the Group's purpose and culture. |
| Board Composition – effective board composition requires an effective Chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company | <ul style="list-style-type: none"> As at the date of approval of this report, the Board comprises five Independent Non-Executive directors (including the Chair), two Shareholder Non-Executive directors and two Executive directors. The roles of the Chair and Chief Executive Officer are separate and clearly defined The Board collectively possesses the skills, knowledge and experience necessary to oversee a complex financial services business. The Non-Executive Directors bring a breadth of external experience across audit, finance, banking, risk, strategy, technology, operations, communications and brand management. The Nominations Committee is responsible for Board and senior management appointments, as well as succession planning, which is reviewed at least annually. The effectiveness of the Board and its Committees is formally evaluated on an annual basis. The assessments are undertaken internally, with an external independent review commissioned every third or fourth year. |

| Principle | How it is applied |
|--|---|
| Board Responsibilities – the board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge | <ul style="list-style-type: none"> The Board is chaired by an independent Non-Executive Chair who ensures that discussions are balanced, inclusive and constructive, with an appropriate mix of views from Executive and Non-Executive Directors. The Group operates within a robust set of governance and risk management frameworks, supported by comprehensive Terms of Reference for the Board and each of its Committees, which are reviewed annually. The Board has delegated certain responsibilities to the Risk Committee, Audit Committee, Nominations Committee, Remuneration Committee and the Chief Executive Officer. Each Committee reports regularly to the Board on matters considered, and decisions taken, by those Committees, as well as any matters escalated. The role and responsibilities of the Board and its Committees are set out in more detail on in the Corporate Governance section of this Report. The Board receives regular reports on business, financial performance, employee engagement, stakeholder engagement and material risks affecting the business. The Board reviews the adequacy and effectiveness of systems and controls under the Group's three lines of defence model to ensure the quality and integrity of information and assurance processes. The Board met 11 times during the year. Further details on key matters discussed in those meetings are provided in the Corporate Governance section of this Report. |
| Opportunity and Risk – a board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks | <ul style="list-style-type: none"> The Board seeks opportunities to grow existing business lines and to develop complementary new lines that are aligned with the Group's Specialist Bank proposition (described above). The Strategic Report (pages 4-31) provides further detail of how the Group creates and preserves long-term value, including future growth opportunities. The Risk Committee oversees the Group's risk management framework and monitors performance against the Board-approved risk appetite. It is responsible for the development, maintenance and review of the Risk Management Framework, ensuring it remains effective and proportionate to the Group's risk profile. During 2025, the Board Risk Committee met 9 times. Further details on key matters discussed in those meetings are provided in the Corporate Governance section of this Report. |

| Principle | How it is applied |
|---|--|
| Remuneration – a board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company | <ul style="list-style-type: none"> The Remuneration Committee is responsible for setting and overseeing the Group's remuneration policy and processes, including those applying to the Group's Executive Directors and other members of its senior management. Remuneration structures are designed to support the Group's strategy, encourage long-term sustainable performance, and align executive rewards with shareholder and stakeholder interests. The Remuneration Committee operates under a clearly defined Terms of Reference and reviews matters such as pay frameworks, performance-related pay, employee benefits and incentive plans. During 2025, the Remuneration Committee met 4 times. Further details on key matters discussed in those meetings are provided in the Corporate Governance section of this Report. |
| Stakeholder Relationships and Engagement – Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions | <ul style="list-style-type: none"> The Board has identified the Group's key stakeholders as employees, customers, shareholders, brokers, suppliers, and regulators, while recognising the impact the Bank has on and its responsibilities towards the wider community and the environment in which it operates. The Group's explicit mission is to deliver positive customer outcomes, rewarding careers and sustainable shareholder value through a high-performing culture grounded in excellence and integrity. The Group's vision, values and expected behaviours support meaningful engagement with all stakeholders. Further information on stakeholder engagement and the Group's approach to its duties under Section 172(1) of the Companies Act 2006 is provided on pages 30-31. |



Group governance framework

The Board is committed to the highest standards of corporate governance and has adopted a single overarching Group Governance Framework designed to support effective oversight and decision-making across the Group. The Framework is intended to promote clear accountability, transparency and appropriate delegation, and to ensure that senior executives with Senior Management Function (SMF) responsibilities can discharge their duties within a coherent governance structure.

The Framework sets out:

- the respective roles and responsibilities of the Board, its Committees and senior management;
- the Group's principal governance policies and delegated authorities; and
- the reporting lines and escalation mechanisms that support prudent, effective control.

The Board retains responsibility for the Group's overall strategy and direction, the approval of key policies (including risk appetite), oversight of financial performance and reporting, and ensuring that appropriate succession planning and remuneration arrangements are in place.

The Board comprises an Independent Non-Executive Chair, Non-Executive (Shareholder) Directors, Independent Non-Executive Directors and Executive Directors. Board meetings are normally held 10 times a year, with additional meetings convened as required.

The Board is supported by Committees to which it has delegated relevant authority; the principal Committees being the Board Risk Committee,

the Audit Committee, the Nominations Committee and the Remuneration Committee. These Committees comprise only Non-Executive Directors and each is chaired by an Independent Non-Executive Director. The Committee Chairs report to the Board at the Board meeting following each Committee meeting on the activities of their respective Committees.

The Board Chair undertakes an annual review of performance of each director. The Board Chair's performance is evaluated by the Non-Executive Directors, taking account of the views of the Executive Directors.

Role of Chair and Chief Executive Officer

There is a clear division of responsibilities between the Chair and the Chief Executive Officer. The Chair has overall responsibility for the leadership of the Board, its effectiveness on all aspects of its role and setting its agenda. The Chief Executive Officer is responsible for the day to day running of the business and is accountable to the Board for its operational and financial performance.

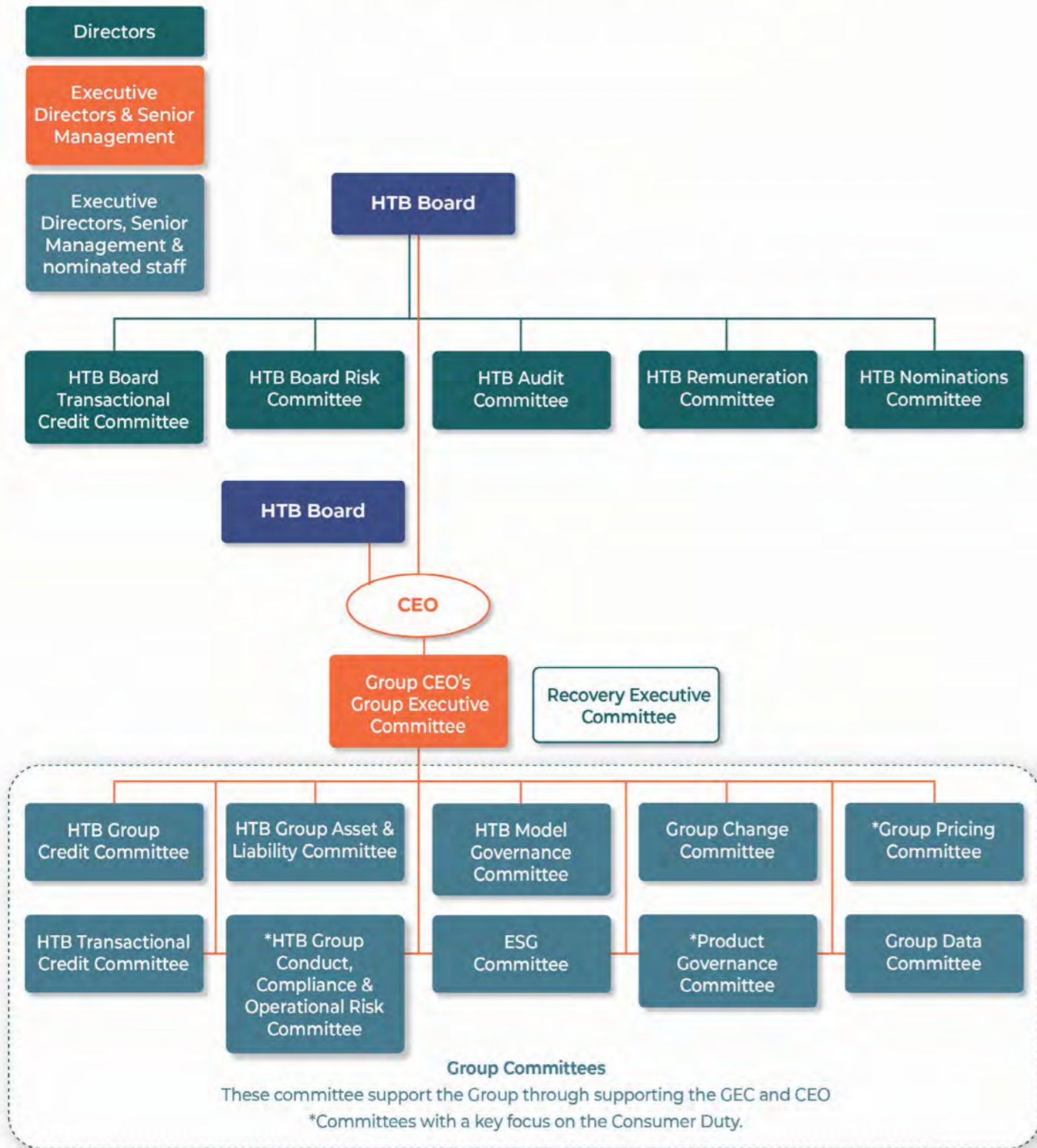
Compliance with the Senior Managers and Certification Regime

The PRA defines a set of prescribed responsibilities (Responsibilities), which must be allocated to a senior manager performing a Senior Management Function. The Group maintains a Senior Management Functions (SMF) Responsibilities Map and a list of SMF Responsibilities which are contained within the documents making up the Corporate Governance Framework. The Board and Committees have their own detailed terms of references which outline their responsibilities and delegations within the Group.

Structure of the Group's Boards and Committees

The Group Board and Committee structure is shown below. Subsidiary Board and Committee information is provided in those companies' individual annual reports.

Group Governance Structure



Board and Committee attendance summary

| Committee | | Board | Audit | Risk | Nominations | Remuneration | Nominations and Remuneration ¹ |
|--------------------------------|------------------------|---------------|-----------------|-----------------|---------------|--------------|---|
| Chair | | Robert Sharpe | Martyn Scrivens | Richard Sommers | Robert Sharpe | Helen Beck | Robert Sharpe |
| Meetings held | | 11 | 6 | 9 | 1 | 2 | 2 |
| Robert Sharpe | Chair | 11 (100%) | | | 1 (100%) | 2 (100%) | 2 (100%) |
| Helen Beck ² | Non-Executive Director | 7 (100%) | | 6 (86%) | 1 (100%) | 2 (100%) | |
| Clare Goldie-Scot ³ | Non-Executive Director | 6 (86%) | 2 (67%) | | | 2 (100%) | |
| Mikkel Hauerberg ⁴ | Non-Executive Director | 2 (100%) | | | | | |
| Richard Price ⁵ | Non-Executive Director | 11 (100%) | 4 (67%) | 6 (67%) | | | |
| Martyn Scrivens | Non-Executive Director | 11 (100%) | 6 (100%) | 8 (89%) | 1 (100%) | 2 (100%) | 2 (100%) |
| Dominic Slade | Non-Executive Director | 8 (73%) | | | 1 (100%) | 2 (100%) | 2 (100%) |
| Richard Sommers | Non-Executive Director | 11 (100%) | 6 (100%) | 9 (100%) | 1 (100%) | 2 (100%) | 2 (100%) |
| Julia Warrack ⁶ | Non-Executive Director | 10 (91%) | | 9 (100%) | | | |
| Kathryn Winup | Executive Director | 9 (82%) | | | | | |
| Matthew Wyles | Executive Director | 11 (100%) | | | | | |

¹ The Nominations and Remuneration Committee was replaced on 5 June 2025 by separate Nominations and Remuneration Committees
² Appointed as Non-Executive Director on 1 April 2025
³ Appointed as Non-Executive Director on 1 April 2025
⁴ Appointed as Non-Executive Director on 25 November 2025
⁵ Resigned as Non-Executive Director on 17 February 2026
⁶ Resigned as Non-Executive Director on 20 February 2026



The key Board and Management Committees are as follows.

Audit Committee

The Audit Committee oversees the effectiveness of the Bank's internal control environment, monitors the integrity of the financial statements and risk management systems, involving internal and external auditors in that process, and considers regulatory compliance monitoring programmes. It focuses on compliance with accounting policies and ensuring that an effective system of internal control is maintained as well as overseeing and monitoring whistleblowing. The Committee recommends to the Board the appointment of both internal and external auditors and approves the annual internal and external audit plans. The Committee is chaired by an Independent Non-Executive Director and comprises solely Non-Executive Directors. The Audit Committee meets at least quarterly.

Board Risk Committee

The Board has delegated responsibility for oversight of the Group's principal risks to the Board Risk Committee. This involves reviewing, challenging and recommending to the Board the aggregate risk profile of the Bank, including performance against risk appetite for all risk types and ensuring both the risk profile and the risk appetite remain appropriate. This Committee oversees the development, implementation and maintenance of the Bank's Risk Management Framework and compliance with relevant regulations and law and proper functioning of risk controls. It considers and recommends to the Board the ILAAP, ICAAP, Funding Plan, Recovery Plan, Resolution Pack, the Capital Management Plan, the Operational Resilience Self-Assessment and the Consumer Duty assessment. The Committee is chaired by an Independent Non-Executive Director and comprises solely Non-Executive Directors.

Nominations and Remuneration Committee

With effect from 5 June 2025, the Nominations and Remuneration Committee was separated into two distinct committees, the Nominations Committee and the Remuneration Committee, to enhance focus and oversight of Board composition, succession planning and remuneration matters respectively.

Nominations Committee

The Nominations Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board and its committees as well as the membership and chairs of subsidiary boards and their committees. It oversees the establishment and implementation of an effective succession plan for the Board and senior management. The Committee is chaired by the Chair of the Board and comprises solely Non-Executive Directors.

Remuneration Committee

The Remuneration Committee is responsible for overseeing the establishment and implementation of remuneration policy for employees and directors which is designed to support the long-term sustainable success, business strategy, mission, culture and values of the Group, as well as promoting effective risk management and compliance with applicable legal and regulatory requirements. The Committee is chaired by an Independent Non-Executive Director and comprises solely Non-Executive Directors.

Group Executive Committee

The Board delegates day-to-day responsibility for the running of the business to the Chief Executive Officer. The Chief Executive Officer has constituted the Group Executive Committee to support him in the discharge of his responsibilities, including proposing strategy to the Board, and for implementing the strategy as approved by the Board. The Group Executive Committee is supported by a number of sub-committees as set out in the structure chart above.

HTB Board

Robert Sharpe, Independent Non-Executive Director and Chair

SMF 9: Chair of the Governing Body & SMF 12: Chair of the Remuneration Committee

Robert has a wealth of experience in the retail banking sector. In addition to HTB, Robert is currently Chair of Metro Bank plc and has previously held a number of non-executive board positions in the UK (and the Middle East) since retiring as an Executive Director at companies including Pollen Street Group Limited, Bank of Ireland (UK) plc, Vaultex Limited (a JV between HSBC and Barclays), Aldermore Bank plc, Barclays Pension Trustees Limited, LSL Properties plc and George Wimpey plc. Robert's previous executive roles include Chief Executive Officer of Portman Building Society and subsequently West Bromwich Building Society.

Richard Sommers, Independent Non-Executive Director

SMF 10: Chair of the Risk Committee

In addition to HTB Board, Richard sat on the Board of Bank of Ireland (UK) plc, where he chaired the Risk Committee and was a member of the Audit Committee during 2025. Richard's past non-executive director roles include Al Rayan Bank, where he chaired the Risk Committee; and West Bromwich Building Society, where he chaired the Risk Committee. Richard was also Chair of the Audit and Risk Committee at the University of York. During a 30-year executive career in financial services, Richard held the roles of Finance Director and then Risk Director for Barclays' Retail Financial Services Division; Finance Director, Barclaycard; and Chief Financial Officer for Barclaycard USA.

Julia Warrack, Independent Non-Executive Director

In addition to the HTB Board, Julia sits on the Board of Zempler Bank and Ruler Bidco SARL.

With over 24 years of experience across a number of senior technology and transformation roles, Julia brings a wealth of knowledge gained across 9 industry sectors, including public sector, to help HTB define and deliver a strategy for growth.

Julia has championed technology and innovation for the vast majority of her career, encouraging teams to challenge the orthodoxy and dare to be different. An exponent of collaboration and modern agile practices, Julia brings her extensive and cross sector expertise and passion for technology and innovation to bear across the business.

Martyn Scrivens, Independent Non-Executive Director

SMF 11: Chair of the Audit Committee

Martyn's career in audit, risk management and governance spans four decades, including operating at Board level in both the private and public sector. He spent five years at Credit Suisse Group where he was Global Head of Internal Audit and prior to that he oversaw group audit functions at Lloyds Banking Group as Group Audit Director for nine years. Before joining Lloyds, Martyn spent 24 years at international professional services firm Arthur Andersen in the UK, Switzerland and Australia. Martyn also served as Non-Executive Director at Somerset NHS Foundation Trust and Symphony Healthcare Services until March 2026. He is Chair of the audit committee of The Ardonagh Group and is a non-executive director of MKS Pamp Group. He is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), where he chaired the Institute's Internal Audit Advisory Panel for 10 years.

Helen Beck, Independent Non-Executive Director

Helen joined the HTB Group Board in April 2025. Throughout her career, she has held influential leadership positions, including serving as a partner at Deloitte. Before that, Helen was Global Head of Reward at Standard Bank, led McLagan Europe (part of Aon), and held key roles in human resources at Fidelity International. Beyond her executive career, Helen has contributed her expertise as a Non-Executive Director at Funding Circle Holdings plc, where she chairs the Remuneration Committee and plays an active role in the Nomination, Audit & Risk, and ESG committees. She also serves as a Non-Executive Director at St. James' Place and at Picton Property Income Limited, chairing the Remuneration Committee and participating in other key committees. Until April 2024, she also served as a Non-Executive Director at Ashmore Group plc

In addition, Helen is an independent Governor of the University of Bedfordshire and an independent member of the Remuneration Committee of the British Olympic Association.

Clare Goldie-Scot, Independent Non-Executive Director

Clare joined the HTB Group Board in April 2025. She started her career at Boston Consulting Group and has extensive global leadership experience. She has held Board and Senior Executive roles across a variety of service industries, including both consumer and intermediated financial services, such as Prudential, The AA, British Gas, RSA, ITV, Vodafone and Royal London. Her previous non-executive roles include Alliance Trust, Codan, Swintons Insurance, and CMC Markets where she chaired both the Risk and the Remuneration Committees and served as Director accountable for colleague engagement. Clare is also a former Trustee of Breast Cancer Campaign and a former Ambassador for Scope.

She is currently an independent Non-Executive Director of Bank of Ireland UK, where she chairs the Remuneration Committee and is also the Director accountable for colleague engagement. She has also been a member of the Scottish Widows Independent Governance Committee since 2020.

With a strong background in sport, Clare is also a partner in Apedroc Stud, breeding thoroughbred racehorses.

Mikkel Hauerberg, Non-Executive Director

Mikkel Hauerberg is a seasoned finance professional with extensive experience across financial services. Mikkel heads the European private equity strategy for Bayview and has been with the firm since 2021. Prior to joining Bayview, Mikkel served in J.P. Morgan's Financial Institutions Group in London, the Danish Investment Banking unit of ABC Sundal Collier, and Saxo Bank's Markets division. Mikkel holds a BSc in International Business from Copenhagen Business School.

Dominic Slade, Non-Executive Director

Dominic is a Non-Executive Director and is also the Managing Partner of Alchemy. Dominic joined Alchemy in 1998, became a Partner in 2001 and was elected Managing Partner in 2009. Previously in investment banking at UBS, Dominic has a degree in Social & Political Sciences, an MPhil in International Relations from Cambridge and an MBA from Harvard.

Richard Price, Non-Executive Director

Richard is a Non-Executive Director on the board of HTB. Richard spent the majority of his career with KPMG where he was a partner from January 1997 to July 2012. Richard holds a BSc in Economics and Business Economics from the University of Southampton and is a Chartered Accountant.

Matthew Wyles, Chief Executive Officer

SMF 1: Chief Executive

Matthew was appointed as CEO with effect from 23 April 2018. Prior to joining HTB, Matthew was an Executive Director of Castle Trust Capital plc. From 2007 to 2012, Matthew served as an Executive Director of Nationwide Building Society, latterly as Group Distribution Director where his responsibilities included the branch network, contact centres, Nationwide Financial Solutions and the group's operations in the intermediary mortgage market. Matthew was the Chair of the Council of Mortgage Lenders for two years running in 2009 and 2010.

Kathryn Winup, Chief Financial Officer

SMF 2: Chief Finance

Kathryn was appointed as an executive director of HTB on 26 September 2024. Kathryn has many years' experience in financial services, having held senior finance positions at a range of Banks and Financial Institutions including, Deputy CFO at Shawbrook Bank, CFO at Police Mutual, CFO Digital at Aviva, Finance Director for Business and Commercial Banking at Royal Bank of Scotland, CFO for the Wealth Management Division of Royal Bank of Scotland, Finance Director at Coutts & Co. and Finance Director for Royal Bank of Scotland International in Jersey.



Directors' Report

The Directors present their report and financial statements for the year ended 31 December 2025.

The Strategic Report, set out on pages 4-31 of this Annual Report, contains information that would otherwise be required to be included in this Directors' Report.

Principal activities

Hampshire Trust Bank PLC (Bank) is a UK bank authorised by the Prudential Regulation Authority (PRA) and regulated by both the PRA and the Financial Conduct Authority (FCA). The Bank provides finance to small and medium sized enterprises (SMEs) in the UK, secured against property and business assets (including vehicles), and also offers retail savings products to private individuals and SMEs. The principal activities of subsidiaries of the Bank are listed in Note 42 to the financial statements.

Business review and future developments

Information regarding the business review and future developments (pages 12-16), key performance indicators (pages 12-13) and principal risks (pages 22-29) is contained in the Strategic report.

Results for the year

The Bank made a profit before tax of £78.5m (2024: £72.5m), and a profit after tax of £60.1m (2024: £53.1m). The Group made a profit before tax of £82.5m (2024: £71.6m), and a profit after tax of £63.3m (2024: £51.7m).

Proposed dividend

The directors do not recommend the payment of a dividend in either the Group or Bank (2024: £nil, Group and Bank).

Business relationships

The Directors have had regard to stakeholder interests in accordance with section 172 of the Companies Act 2006. Further detail is provided in the Strategic Report.

Greenhouse gas emissions

Information on the Group's energy consumption and greenhouse gas emissions is set out in the 2025 HTB Sustainability Report, which is published separately and available on the Bank's website.

Corporate governance arrangements

The Bank has applied the Wates Corporate Governance Principles for Large Private Companies, following the "apply and explain" approach. Details are set out on pages 32-33 of the Corporate Governance Report.

Financial Instruments

The Group uses financial instruments to manage certain types of risk, including interest rate risk. Details of the objectives and risk management of these instruments are contained on pages 18-21 of the risk management section. Details of financial instruments can be found in Notes 22 and 23 to the financial statements.

Employee Share Scheme rights

Details of how rights of shares in employee share schemes are exercised are provided in Note 7.5 to the financial statements.

Employees

The Group is committed to fair employment policies and equal opportunities for all employees, irrespective of gender, race, colour, age, disability, sexual orientation or marital or civil partner status. The Group ensures that disabled persons are afforded equality of opportunity with respect to entering and continuing employment with the Group. This includes all stages from recruitment and selection, terms and conditions of employment, access to training and career development.

Information on employee involvement and engagement can be found in the Strategic report and in the 2025 HTB Sustainability Report, which is published separately and available on the Bank's website.

Appointment and retirement of Directors

The appointment and retirement of the Directors is governed by the Bank's Articles of Association and the Companies Act 2006. The Bank's Articles of Association may only be amended by a special resolution passed by shareholders at a general meeting.

Board composition

The Directors who held office during the year and at the date of this report were as follows:

Robert Sharpe

(Chair) Independent Non-Executive Director. Chair of the Board, and Chair of the Nominations Committee

Martyn Scrivens

Independent Non-Executive Director and Chair of the Audit Committee

Richard Sommers

Independent Non-Executive Director, Chair of the Board Risk Committee and Chair of the Board Transactional Credit Committee

Julia Warrack (resigned 20 February 2026)

Independent Non-Executive Director

Richard Price (resigned 17 February 2026)

Non-Executive Director

Dominic Slade

Non-Executive Director

Helen Beck (appointed 1 April 2025)

Independent Non-Executive Director and Chair of the Remuneration Committee

Clare Goldie-Scot (appointed 1 April 2025)

Independent Non-Executive Director

Mikkel Hauerberg (appointed 25 November 2025)

Non-Executive Director

Matthew Wyles

Chief Executive Officer

Kathryn Winup

Chief Financial Officer

The Group maintains liability insurance cover for Directors and officers as permitted by the Companies Act 2006.

Political and charitable donations

The Group made £4.2k of charitable donations during the year (2024: £nil) and did not make any political donations or incur any political expenditure during the year (2025: £nil).

Remuneration matters

The Group adheres to the requirements of the Remuneration Code as defined by the PRA and FCA. The non-executive directors do not receive variable remuneration. Information on the Group's Remuneration Code is set out in the Pillar 3 disclosures and will be published on our website www.htb.co.uk.

Share capital

Details of the Group's share capital as at 31 December are provided in Note 41 to the financial statements. The Group did not repurchase any of the issued ordinary shares during the year or up to the date of this report.

Going concern

The financial statements are prepared on a going concern basis, as the Directors believe that the Group and the Bank have sufficient resources to continue their activities for a period of at least 12 months from the date of approval of the financial statements (the going concern period).

In making this assessment, the Directors have considered the current balance sheet, projections of loan book growth, expected credit losses, profitability, cash flows and capital resources. Under this scenario the Group continues to maintain capital and liquidity at levels significantly above its minimum regulatory requirements throughout the going concern period.

Given the continued economic uncertainties, the Group has undertaken analysis of forecast capital and liquidity levels using an updated Bank of England 2025 Bank Capital Stress Test. The stress assumes the UK economy enters deep and prolonged recession. Based on the results of this severe stress scenario analysis, the Directors have concluded that the Group's capital and liquidity forecasts are above its minimum regulatory requirements throughout the going concern period.

Accordingly, the Directors are confident that the Group has adequate resources to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and, therefore, have adopted the going concern basis in preparing the financial statements.

Appointment of auditor

Following a tender process, PricewaterhouseCoopers LLP were appointed as the Group's external auditor, replacing KPMG LLP.

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements of the Group and parent company in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

Under company law the 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 Bank and of their profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether the financial statements are prepared in accordance with UK-adopted International Accounting Standards;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and,
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions, to disclose with reasonable accuracy at any time the financial position of the parent company and to enable them to ensure that its financial statements comply with the Companies Act 2006.

The Directors are also responsible for establishing and maintaining appropriate internal controls and procedures to provide reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error, and for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In line with the Wates Corporate Governance Principles for Large Private Companies, the Board is collectively responsible for ensuring that the Group's governance arrangements promote its long-term success and the delivery of sustainable value for stakeholders.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with those requirements.

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

Disclosure of information to auditor

In accordance with section 418(2) of the Companies Act 2006, each Director who held office at the date of approval of this Directors' report confirms that so far as each Director is aware, there is no relevant audit information of which the Group's or Bank's auditors are unaware, and the Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Bank's auditors are aware of that information.



Matthew Wyles
Chief Executive Officer

By order of the Board
Date: 26 March, 2026

Independent auditors' report to the members of Hampshire Trust Bank Plc

Report on the audit of the financial statements

Opinion

In our opinion, Hampshire Trust Bank Plc's Group financial statements and Bank financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Bank's affairs as at 31 December 2025 and of the Group's and Bank's profit and the Group's and Bank'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 Companies Act 2006.

We have audited the financial statements, included within the Group Annual Report and Accounts 2025 (the "Annual Report"), which comprise:

- the Consolidated and Bank Statement of Financial Position as at 31 December 2025;
- the Consolidated and Bank Statement of Comprehensive Income; the Consolidated Statement of Changes in Equity; the Bank Statement of Changes in Equity; and the Consolidated and Bank Statement of Cash flows for the year then ended; and
- the Notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Board 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 17, we have provided no non-audit services to the Bank or its controlled undertakings in the period under audit.

Our audit approach

Context

The Bank's operations are localised to the United Kingdom with a range of product offerings: Specialist Mortgages, Development Finance, Asset Finance, Wholesale Finance and Commercial and Retail Finance. The consolidated financial statements include those of the Bank's subsidiary, HTB Leasing & Finance Ltd ('HLF'). The Bank is exposed to risks associated with banking market in the UK with credit risk being a key accounting estimate impacting the Bank's standalone and consolidated financial statements, we have adapted our procedures to respond to these risks.

Overview

Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and other qualitative factors.

Key audit matters

- Expected credit losses on loans and advances to customers (Group and Bank)

Materiality

- Overall Group materiality: £4.12 million based on 5% of consolidated profit before tax.
- Overall Bank materiality: £3.92 million based on 5% of profit before tax.
- Performance materiality: £3.09 million (Group) and £2.94 million (Bank).

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.

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.

Key audit matter

Expected credit losses on loans and advances to customers (Group and Bank)

Determining expected credit losses ("ECL") is inherently judgemental and involves making various assumptions. This can give rise to increased estimation uncertainty.

ECL is calculated using historical default and loss experience but requires judgement to be applied in predicting future economic conditions.

Our audit focused on the significant assumptions for which variations had the most material impact on ECL.

We considered the following elements of the determination of ECL to be significant:

- forward looking economic scenarios, and the weighting assigned to these; and
- significant assumptions used in determining individual provisions for certain Stage 3 exposures.

Refer to the relevant disclosures and accounting policies used by management disclosed in Note: 7 and 30.

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 Bank, the accounting processes and controls, and the industry in which they operate.

The Group comprises the Bank and its wholly owned subsidiary, HLF. These entities are in the UK and are financial reporting components.

In establishing our 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 Bank was considered significant due to risk and size in the context of the Group's consolidated financial statements and we performed a full scope audit of the component financial information. HLF was a non-significant component in the context of the Group's consolidated financial statements with further audit procedures being performed over certain balances.

All audit work was performed by the same engagement team.

How our audit addressed the key audit matter

We engaged the support of our credit risk modelling specialists and economic experts to critically assess the appropriateness of the ECL.

Model methodology and implementation

We critically assessed the appropriateness of the methodology used in the in-scope impairment models and evaluated compliance with IFRS 9 requirements.

We validated that the in-scope models were implemented in line with the methodology through a combination of independent model replication and code reviews.

Forward looking economic scenarios and assigned weightings

We assessed the reasonableness of the base case forward-looking economic scenario and benchmarked this against market consensus data. The severity of the outer scenarios was evaluated with reference to external forecasts, including data from historical economic downturns.

We evaluated the assigned weightings, by assessing the severity and magnitude of the losses in comparison to historic and third-party forecasts with our economic experts.

Assumptions used in determining individual provisions

In respect to a sample of individually assessed credit impaired exposures, we assessed the significant assumptions used to estimate the discounted cash flow projections, and where appropriate we involved our valuation experts to assess the reasonableness of the methodology used to value underlying collateral valuations. We further considered whether the judgements made in selecting the significant assumptions would indicate possible management bias.

We evaluated and tested the disclosures made in the Annual Report.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group and Bank's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Group and Bank'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:

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The materiality allocated to the significant component was £3.91 million.

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% of overall materiality, amounting to £3.09 million for the Group financial statements and £2.94 million for the Bank 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 Board Audit Committee that we would report to them misstatements identified during the audit above £206,125 (Group audit) and £197,000 (Bank audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons

| | Financial statements - Group | Financial statements - Bank |
|--|---|---|
| Overall materiality | £4.12 million. | £3.92 million. |
| How we determined it | 5% of consolidated profit before tax | 5% of profit before tax |
| Rationale for benchmark applied | The Group's profit before tax is considered the most appropriate benchmark given the Group's historical financial performance producing consistent profit results and therefore a key metric for the users of the financial statements. | The Bank's profit before tax is considered the most appropriate benchmark given the Bank's historical financial performance producing consistent profit results and therefore a key metric for the users of the financial statements. |

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Bank's ability to continue to adopt the going concern basis of accounting included:

- a risk assessment to identify factors that could impact the going concern basis of accounting;
- evaluating management's going concern assessment, including the Group and Bank's capital and liquidity position and financial forecasts over the going concern period;
- evaluation of the stress testing performed by management including their severe but plausible downside scenario;
- 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 adequacy 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 Bank'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 Bank'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.

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 Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Bank and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, 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 Bank'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 Bank 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 relevant rules of the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA), 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 Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate the financial statements and management bias in accounting estimates and judgements, in particular the allowance for expected credit losses. Audit procedures performed by the engagement team included:

- discussions with management, and those charged with governance;
- reading correspondence with the FCA and the PRA;
- reading minutes of the Board and Board Audit Committee to identify any matters of audit relevance;

- challenging assumptions and judgements made by management in their significant accounting estimates;
- incorporating an element of unpredictability into the nature, timing and/or extent of our testing; and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

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 Bank's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Bank, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Bank financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the Bank for the financial year ended 31 December 2025. Our uninterrupted engagement covers one financial year.

Other matter

The analysis of net debt and the movements in net debt for the year ended 31 December 2024 was not presented in the prior period financial statements. As such, the corresponding figures of the analysis of net debt and the movements in net debt in Note 40 for the year ended 31 December 2025 are unaudited.



Michael Whyte (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 March 2026

Financial statements



Consolidated and Bank Statement of Comprehensive Income

| | Note | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|---|------|-----------------------|-----------------------|----------------------|----------------------|
| Interest and similar income | 8 | 402,370 | 363,063 | 396,890 | 352,194 |
| Interest expense and similar charges | 8 | (229,273) | (209,208) | (229,271) | (206,852) |
| Net Interest Income | | 173,097 | 153,855 | 167,619 | 145,342 |
| Operating lease income | 9 | 158 | 597 | - | - |
| Fees and commissions income | 9 | 3,182 | 3,400 | 3,006 | 3,172 |
| Fees and commissions payable | 9 | (1,110) | (1,404) | (1,110) | (1,406) |
| Net loss on loans and other financial assets at fair value through profit or loss | 10 | (1,010) | (315) | (1,010) | (315) |
| Net (loss)/gain arising from derecognition of financial assets measured at amortised cost | 11 | (769) | 7,275 | (769) | 7,275 |
| Other income | 12 | 29 | - | 2,887 | 3,927 |
| Operating Income | | 173,577 | 163,408 | 170,623 | 157,995 |
| Administrative expenses | 13 | (84,625) | (80,520) | (83,039) | (75,545) |
| Impairment Loss on Investments in Subsidiaries | 16 | - | - | (26,500) | (11,219) |
| Impairment losses on Loans and Advances to Customers | 30 | (6,502) | (11,292) | (9,063) | (9,770) |
| Profit before tax and dividends | | 82,450 | 71,596 | 52,021 | 61,461 |
| Interim dividends received | 18 | - | - | 26,500 | 11,000 |
| Profit before tax | | 82,450 | 71,596 | 78,521 | 72,461 |
| Tax expense | 19 | (19,181) | (19,854) | (18,405) | (19,407) |
| Profit after tax for the year | | 63,269 | 51,742 | 60,116 | 53,054 |
| Other Comprehensive Income | | | | | |
| Items that are or may be reclassified subsequently to Profit and loss: | | | | | |
| Cash flow hedges – effective portion of changes in fair value | 23 | (184) | (724) | (184) | (724) |
| Cash flow hedges – recycled to profit or loss | 23 | 676 | 1,149 | 676 | 1,149 |
| Total Comprehensive Income for the year | | 63,761 | 52,167 | 60,608 | 53,479 |

The notes on pages 66-165 are an integral part of these financial statements.

Consolidated and Bank Statement of Financial Position

| | Note | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|--|------|-----------------------|-----------------------|----------------------|----------------------|
| Assets | | | | | |
| Loans and advances to banks | 21 | 681,393 | 1,440,372 | 679,085 | 1,435,307 |
| Derivative assets held for risk management | 22 | 13,326 | 51,588 | 13,326 | 51,588 |
| Investment securities | 26 | 693,673 | 219,980 | 693,673 | 219,980 |
| Loans and advances to customers - FVTPL | 24 | - | 260 | - | 260 |
| Loans and advances to customers – at amortised cost | 25 | 4,662,248 | 3,581,543 | 4,540,376 | 3,391,908 |
| Investment in subsidiaries | 43 | - | - | 11,703 | 38,203 |
| Property, plant and equipment | 32 | 3,067 | 4,316 | 2,969 | 3,961 |
| Right-of-use assets | 33 | 1,940 | 2,711 | 1,940 | 2,711 |
| Intangible assets | 34 | 13,949 | 14,907 | 13,949 | 14,712 |
| Corporation tax asset | 19 | 4,416 | 1,821 | 4,416 | 1,821 |
| Deferred tax asset | 20 | 3,744 | 5,446 | 468 | 978 |
| Other assets | 35 | 49,995 | 63,730 | 164,494 | 226,100 |
| Total assets | | 6,127,752 | 5,386,674 | 6,126,399 | 5,387,529 |
| Liabilities | | | | | |
| Derivative liabilities held for risk management | 22 | 18,715 | 22,569 | 18,715 | 22,569 |
| Customer deposits | 28 | 5,232,516 | 4,526,003 | 5,232,516 | 4,526,003 |
| Lease liabilities | 33 | 2,900 | 3,462 | 2,900 | 3,409 |
| Central bank facilities | 27 | 290,000 | 295,000 | 290,000 | 295,000 |
| Subordinated liabilities | 37 | 81,669 | 56,085 | 81,669 | 56,085 |
| Provisions | 38 | 2,150 | - | 2,150 | - |
| Other liabilities | 36 | 64,267 | 110,981 | 64,082 | 109,904 |
| Total Liabilities | | 5,692,217 | 5,014,100 | 5,692,032 | 5,012,970 |
| Equity | | | | | |
| Share capital | 41 | 139,828 | 139,828 | 139,828 | 139,828 |
| Share premium | | 196 | 196 | 196 | 196 |
| Cash flow hedge reserve | 41 | (2,182) | (2,674) | (2,182) | (2,674) |
| Retained earnings | | 280,663 | 218,194 | 279,495 | 220,179 |
| Total equity, excluding non-controlling interest | | 418,505 | 355,544 | 417,337 | 357,529 |
| Other equity instruments attributable to non-controlling interests | 41 | 17,030 | 17,030 | 17,030 | 17,030 |
| Total equity | | 435,535 | 372,574 | 434,367 | 374,559 |
| Total equity and liabilities | | 6,127,752 | 5,386,674 | 6,126,399 | 5,387,529 |

The notes on pages 66-165 are an integral part of these financial statements. These financial statements were approved by the Board of Directors and signed on its behalf on 26 March 2026.

Matthew Wyles
Director

Kathryn Winup
Director

Company Number: 1311315

Consolidated Statement of Changes in Equity For the year ended 31 December 2025

| | Note | Share capital | Share premium | Cashflow hedge reserves | Retained earnings | Attributable to ordinary shareholders | Other equity reserves | Total equity |
|---|------|----------------|---------------|-------------------------|-------------------|---------------------------------------|-----------------------|----------------|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 January 2025 | | 139,828 | 196 | (2,674) | 218,194 | 355,544 | 17,030 | 372,574 |
| Comprehensive income for the year | | | | | | | | |
| Profit for the year | | - | - | - | 63,269 | 63,269 | - | 63,269 |
| Other comprehensive income | | | | | | | | |
| Cash flow hedges – effective portion of changes in fair value | 23 | - | - | (184) | - | (184) | - | (184) |
| Cash-flow hedges – recycled to profit or loss | 23 | - | - | 676 | - | 676 | - | 676 |
| Other comprehensive income for the period | | - | - | 492 | - | 492 | - | 492 |
| Total comprehensive income for the year | | - | - | 492 | 63,269 | 63,761 | - | 63,761 |
| Equity settled share-based payment | 15 | - | - | - | 718 | 718 | - | 718 |
| Coupon paid on other equity instruments | 41 | - | - | - | (1,518) | (1,518) | - | (1,518) |
| Balance at 31 December 2025 | | 139,828 | 196 | (2,182) | 280,663 | 418,505 | 17,030 | 435,535 |

The notes on pages 66-165 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity For the year ended 31 December 2024

| | Note | Share capital | Share premium | Cashflow hedge reserves | Retained earnings | Attributable to ordinary shareholders | Other equity reserves | Total equity |
|---|------|----------------|---------------|-------------------------|-------------------|---------------------------------------|-----------------------|----------------|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 January 2024 | | 139,828 | 196 | (3,099) | 168,173 | 305,098 | 17,030 | 322,128 |
| Comprehensive income for the year | | | | | | | | |
| Profit for the year | | - | - | - | 51,742 | 51,742 | - | 51,742 |
| Other comprehensive income | | | | | | | | |
| Cash flow hedges – effective portion of changes in fair value | 23 | - | - | (724) | - | (724) | - | (724) |
| Cash-flow hedges – recycled to profit or loss | 23 | - | - | 1,149 | - | 1,149 | - | 1,149 |
| Other comprehensive income for the year | | - | - | 425 | - | 425 | - | 425 |
| Total comprehensive income for the year | | - | - | 425 | 51,742 | 52,167 | - | 52,167 |
| Equity settled share-based payment | 15 | - | - | - | (204) | (204) | - | (204) |
| Coupon paid on other equity instruments | 41 | - | - | - | (1,517) | (1,517) | - | (1,517) |
| Balance at 31 December 2024 | | 139,828 | 196 | (2,674) | 218,194 | 355,544 | 17,030 | 372,574 |

The notes on pages 66-165 are an integral part of these financial statements.



**Bank Statement of Changes in Equity
For the year ended 31 December 2025**

| | Note | Share capital | Share premium | Cashflow hedge reserves | Retained earnings | Attributable to ordinary shareholders | Other equity reserves | Total equity |
|---|------|---------------|---------------|-------------------------|-------------------|---------------------------------------|-----------------------|--------------|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 January 2025 | | 139,828 | 196 | (2,674) | 220,179 | 357,529 | 17,030 | 374,559 |
| Comprehensive income for the year | | | | | | | | |
| Profit for the year | | - | - | - | 60,116 | 60,116 | - | 60,116 |
| Other comprehensive income | | | | | | | | |
| Cash flow hedges – effective portion of changes in fair value | 23 | - | - | (184) | - | (184) | - | (184) |
| Cash-flow hedges – recycled to profit or loss | 23 | - | - | 676 | - | 676 | - | 676 |
| Other comprehensive income for the period | | - | - | 492 | - | 492 | - | 492 |
| Total comprehensive income for the year | | - | - | 492 | 60,116 | 60,608 | - | 60,608 |
| Equity settled share-based payment | 15 | - | - | - | 718 | 718 | - | 718 |
| Coupon paid on other equity instruments | 41 | - | - | - | (1,518) | (1,518) | - | (1,518) |
| Balance at 31 December 2025 | | 139,828 | 196 | (2,182) | 279,495 | 417,337 | 17,030 | 434,367 |

The notes on pages 66-165 are an integral part of these financial statements.

**Bank Statement of Changes in Equity
For the year ended 31 December 2024**

| | Note | Share capital | Share premium | Cashflow hedge reserves | Retained earnings | Attributable to ordinary shareholders | Other equity reserves | Total equity |
|---|------|---------------|---------------|-------------------------|-------------------|---------------------------------------|-----------------------|--------------|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 January 2024 | | 139,828 | 196 | (3,099) | 168,846 | 305,771 | 17,030 | 322,801 |
| Comprehensive income for the year | | | | | | | | |
| Profit for the year | | - | - | - | 53,054 | 53,054 | - | 53,054 |
| Other comprehensive income | | | | | | | | |
| Cash flow hedges – effective portion of changes in fair value | 23 | - | - | (724) | - | (724) | - | (724) |
| Cash-flow hedges – recycled to profit or loss | 23 | - | - | 1,149 | - | 1,149 | - | 1,149 |
| Other comprehensive income for the period | | - | - | 425 | - | 425 | - | 425 |
| Total comprehensive income for the year | | - | - | 425 | 53,054 | 53,479 | - | 53,479 |
| Equity settled share-based payment | 15 | - | - | - | (204) | (204) | - | (204) |
| Coupon paid on other equity instruments | 41 | - | - | - | (1,517) | (1,517) | - | (1,517) |
| Balance at 31 December 2024 | | 139,828 | 196 | (2,674) | 220,179 | 357,529 | 17,030 | 374,559 |

The notes on pages 66-165 are an integral part of these financial statements.

Consolidated and Bank Statement of Cash Flows

| | Note | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|---|----------|-----------------------|-----------------------|----------------------|----------------------|
| Cashflows from operating activities | | | | | |
| Profit before tax for the year | | 82,450 | 71,596 | 78,521 | 72,461 |
| <i>Adjustments for:</i> | | | | | |
| Depreciation and amortisation | 32/33/34 | 7,348 | 7,252 | 6,963 | 5,800 |
| Loss on disposal of fixed assets | 32/33/34 | - | 203 | - | - |
| Impairment loss on investment in subsidiaries | 16 | - | - | 26,500 | 11,219 |
| Foreign exchange gains | 12 | (29) | - | (29) | - |
| Gain on securitisation | | - | (10,414) | - | (10,414) |
| Increase in impairment of loans and advances | 30 | 9,791 | 10,226 | 10,147 | 8,939 |
| Increase/(Decrease) in provisions | 30 | (730) | 2,347 | 1,831 | 1,364 |
| Equity-settled share-based payment transactions | 15 | 718 | (204) | 718 | (204) |
| Bond premium/discount amortisation | 26 | 157 | (2,440) | 157 | (1,943) |
| Decrease in fair value of derivative assets | 22/23 | 30,481 | 18,609 | 30,481 | 18,609 |
| Increase in fair value of loans and advances designated as hedged items | 22/23 | (32,163) | (19,784) | (32,163) | (19,784) |
| Decrease/(Increase) in fair value of loans and advances held at FVTPL | 24 | 188 | (53) | 188 | (53) |
| Repayment of the interest accrued on lease liabilities | 33 | 228 | 262 | 228 | 258 |
| Dividends received | 18 | - | - | (26,500) | (11,000) |
| Corporation tax paid | 19 | (21,239) | (18,086) | (21,655) | (18,086) |
| Corporation tax received | 19 | 1,166 | - | 1,166 | - |
| Changes in: | | | | | |
| Increase in loans and advances to customers | 25 | (1,051,041) | (619,334) | (1,121,847) | (717,726) |
| Decrease in other assets | 35 | 13,669 | 7,888 | 61,605 | 6,841 |
| Decrease in central bank facilities | 27 | (5,000) | (59,208) | (5,000) | (5,000) |
| Increase in collateral held with banks | | (30,078) | (25,256) | (30,078) | (25,256) |
| Increase in customer deposits | 28 | 702,733 | 1,268,898 | 702,733 | 1,324,101 |
| Decrease in subordinated and other liabilities | 36/37 | (13,328) | (661) | (12,373) | (20,701) |
| Net cash flow from operating activities | | (304,679) | 631,841 | (328,407) | 619,425 |

Consolidated and Bank Statement of Cash Flows (continued)

| | Note | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|--|-----------|-----------------------|-----------------------|----------------------|----------------------|
| Cashflows from investing activities | | | | | |
| Dividends received from subsidiary undertakings | 18 | - | - | 26,500 | 11,000 |
| Purchase of property, plant and equipment | 32 | (300) | (298) | (300) | (298) |
| Disposal of property, plant and equipment | 32 | 67 | 51 | - | 51 |
| Purchase of intangible assets | 34 | (4,612) | (6,814) | (4,612) | (6,814) |
| Disposal of intangible assets | 34 | 477 | 67 | 477 | 67 |
| Disposal of right of use asset | 33 | - | (113) | - | (113) |
| Purchase of investment securities | 26 | (500,773) | (135,668) | (500,773) | (135,668) |
| Settlement of investment securities | 26 | 28,148 | 162,520 | 28,148 | 162,520 |
| Net cash flow from investing activities | | (476,993) | 19,745 | (450,560) | 30,745 |
| Cash flows from financing activities | | | | | |
| Repayments of the principal portion of finance lease liabilities | 33 | (788) | (725) | (737) | (710) |
| Coupon paid to other equity instrument holders | 41 | (1,518) | (1,517) | (1,518) | (1,517) |
| Proceeds from the issuance of subordinated debt | 41 | 55,000 | - | 55,000 | - |
| Repayment of subordinated debt | 41 | (30,000) | - | (30,000) | - |
| Proceeds from securitisation | | - | 310,558 | - | 310,558 |
| Net cash flow from financing activities | | 22,694 | 308,316 | 22,745 | 308,331 |
| Net increase/(decrease) in cash and cash equivalents | | (758,979) | 959,902 | (756,222) | 958,501 |
| Cash and cash equivalents at 1 January | 21 | 1,440,372 | 480,470 | 1,435,307 | 476,806 |
| Cash and Cash Equivalents at 31 December | 21 | 681,393 | 1,440,372 | 679,085 | 1,435,307 |
| Loans and advances to Banks | 21 | 681,393 | 1,440,372 | 679,085 | 1,435,307 |
| Cash and Cash Equivalents at 31 December | 21 | 681,393 | 1,440,372 | 679,085 | 1,435,307 |

The notes on pages 66-165 are an integral part of these financial statements.

Notes to the financial statements

This section describes the Group's material policies and critical accounting estimates that relate to the financial statements and notes. If an accounting policy or a critical accounting estimate relates to a particular note, the accounting policy and/or critical accounting estimate is contained within the relevant note.

1. Reporting entity

Hampshire Trust Bank PLC (the 'Bank') is domiciled in the United Kingdom, a company limited by shares. The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2025 comprise the Bank and its subsidiaries (together referred to as the "Group") as listed in note 44.

2. Basis of preparation

The Group's financial statements have been prepared in accordance with UK adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standard.

These financial statements are presented in Pounds Sterling (GBP), which is the Group's functional currency. All amounts have been rounded to the nearest thousand except when otherwise stated.

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments), and measured at fair value.

The Group primary financial statements have been presented in a manner to show the comparatives between the Group results in 2025 against 2024, and the Bank results in 2025 against 2024.

Hampshire Bank Limited and HTB Leasing and Finance Limited are unlisted entities and have an accounting reference date of 31 December. HTB Leasing and Finance Limited is exempt from the requirements of the companies act relating to the audit of accounts under section 479a, as HTB guaranteed the subsidiary companies under section 479c of the act.

IFRS 8 requires operating segments to be identified on the basis of internal reports and components of the Company that are regularly reviewed by the Chief Operating Decision Maker. For this purpose, the Chief Operating Decision Maker of the Company is the Board of Directors. The Board considers the results of the Company as a whole when assessing the performance and allocating resources. Accordingly, the Company has a single operating segment. No geographical or customer-level analysis is required as the Company operates solely within the UK and is not reliant on any single customer.

Going concern

The financial statements are prepared on a going concern basis, as the Directors believe that the Group has sufficient resources to continue their activities for a period of at least 12 months from the date of approval of the financial statements (the going concern period).

For the year ended 31 December 2025, the Group recognised a profit after tax of £63.3m. The Group's total assets as at 31 December 2025 were £6,127.8m. The Group has £1,212.5m of resources comprising cash and cash equivalents, and other highly liquid assets as at 31 December 2025.

In making this assessment, the Directors have considered the current balance sheet, projections of loan book growth, expected credit losses,



profitability, cash flows and capital resources. Under this scenario the Group continues to maintain capital and liquidity at levels significantly above its minimum regulatory requirements throughout the going concern period.

Given the continued economic uncertainties, the Group has undertaken analysis of forecast capital and liquidity levels using an updated Bank of England 2025 Bank Capital Stress Test. The stress assumes the UK economy enters deep and prolonged recession. Based on the results of this severe stress scenario analysis, the Directors have concluded that the Group's capital and liquidity forecasts are above its minimum regulatory requirements throughout the going concern period. Accordingly, the Directors are confident that the Group has adequate resources to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and, therefore, have adopted the going concern basis in preparing the financial statements

3. Basis of consolidation

3.1. Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved where the Group is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases. Note 43 outlines a list of the investments in subsidiaries. All intra-group transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements.

3.2. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group recognises identifiable assets and liabilities at their acquisition date fair values. Fair

values are determined from the estimated future cash flows generated by the assets. The cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date fair value and the amount of any non-controlling interests in the acquiree. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition.

The consideration transferred in the acquisition is measured at fair value. Any gain on bargain purchase is recognised in profit or loss immediately at the date of acquisition.

Any contingent or deferred consideration payable is measured at fair value at the acquisition date. If the contingent or deferred consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in fair value of the contingent or deferred consideration are recognised in profit or loss.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interest in joint ventures are accounted for using the equity method. They are initially recognised at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date of which significant influence or joint control ceases.

For purchased or originated credit impaired (POCI) financial assets that were acquired as part of the acquisition of HLF (Formerly WBL), the Bank has calculated interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the financial asset. The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial asset.

4. Changes in material accounting policies

The Group considered the following amendments to standards that are currently effective i.e. from 1 January 2025:

- Lack of Exchangeability – Amendments to IAS 21

The effect of these amendments has been deemed as immaterial to the Group's financial statements.

5. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The significant estimates and judgements made by management in applying accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the results and financial position, are presented within the notes to the accounts as shown below:

A Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are included in the following notes:

- Note 7.11: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.

- Note 7.9.5: assessing whether the Group controls the entities forming part of its securitisation transaction structure and whether the loans transferred to the structure should be derecognised.

B Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2025 are included in the following notes:

- Note 7.11: allowance for credit impairment losses on financial assets at amortised cost: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

6. Future accounting developments

On 9 April 2025, the IASB issued IFRS 18 – 'Presentation and Disclosure in Financial Statements'. It is anticipated that the new standard will affect the manner in which information is disclosed in financial statements, without materially altering the underlying accounting.

Subject to its endorsement for use in the UK, IFRS 18 is expected to apply to the Group and the Bank from the financial year ending 31 December 2028.

A thorough assessment of the impact of this new standard on the Group's annual reporting will be undertaken prior to its implementation. This continues to remain an evolving area where sector-specific guidance is dynamic, thus the large firm guidance provides recommendations including an early dry-run mapping of primary statements. The Group is considering conducting a gap analysis against existing MI and FINREP templates in 2026.

In addition to the above, a number of new accounting standards and amendments to accounting standards are effective for annual periods beginning on or after 1 January 2026. Following an impact assessment, the Group expects none of these new and amended standards and interpretations (which have been issued but not yet effective) will have a material impact on the Group's financial statements.

The Group has not early adopted any of the new or amended accounting standards in preparing these consolidated financial statements and they are not expected to have a material impact on the Group's consolidated financial statements currently or once effective.

- In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to:

- recognition and derecognition, including accounting for settlement of financial liabilities using an electronic payments system; and
 - assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.
- Annual Improvements 2023 cycle (Updates to IFRS 1, 7, 9, 10, IAS 7) effective from 1 January 2026
 - IFRS 19 Subsidiaries without Public Accountability effective from 1 January 2027
 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture IFRS 10/IAS 28 (No effective date set yet)

7. Material accounting policies

7.1 Interest income and expense on instruments measured at amortised cost

Interest income and expense are recognised in the Statement of Comprehensive Income for all instruments measured at amortised cost using the effective interest rate ("EIR") basis.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows through the expected lives of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group takes into account all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on impaired financial assets is recognised at the same EIR as applied at the initial recognition of the financial asset but applied to the book value of the financial asset net of any impairment allowance.

In determining the expected life of loans and receivables assets, the Group uses judgement on the likely redemption profiles. The Group also forecasts and estimates the likely level of early repayment charges. At regular intervals throughout the year, the expected lives of loans and receivables assets are reassessed for reasonableness. Any variation in the expected life of these assets will change the carrying value in the statement of financial position and the timing of the recognition of interest income.

Interest income and expenses presented include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on EIR basis.
- Interest on financial assets and financial liabilities measured at Fair value through profit and loss ('FVTPL').
- Interest expense on lease liabilities.
- Interest income from Finance Leases and Hire Purchase is recognised over the period of the agreement to give a constant rate of return.

7.2 Fee and commission income

Fees and commissions which are not considered integral to the effective interest rate are generally recognised when the service has been provided and the Group has satisfied its performance obligations per IFRS 15 and collection is considered probable.

These fees from contracts with customers are measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

Fees and commission income include customer service fees, wholesale facility fees, placement fees, which are recognised as the related services are performed (at a point in time or over time).

Fees and commission income include non-refundable commitment fees charged in advance for Development Finance loans held at FVTPL these are accounted for under IFRS 9 and are recognised in full on receipt of the fee.

Fees and commission expense includes transaction and service fees, which are expensed as the services are received. None of the fees and commission charged arose from variable consideration and fees charged are generally not refundable unless under exceptional circumstances.

7.3 Net gain/(loss) on loans and other financial instruments at FVTPL

7.3.1 Derivatives

Net income from derivatives relates to non-trading derivatives held for risk management purposes that do not form part of a qualifying hedging arrangement:

- The fair value movement on derivatives held for economic hedging where hedge accounting is not applied are presented in 'Net income from other financial instruments at FVTPL'. However, for designated and effective fair value hedge accounting relationships the gains and losses on the hedging instrument are presented in the same line in the profit and loss as the hedged item.

7.4 Employee benefits

The Group applies IAS 19 Employee benefits in its accounting for components of staff costs.

7.4.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

7.4.2 Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as pension costs in the income statement.

7.4.3 Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

7.5 Share-based payments

Employees may be entitled to purchase shares to reward strong long-term business performance and to incentivise growth for the future. These share-based payment transactions are accounted for as equity settled share-based payments in accordance with IFRS 2. This equity is in the 'G' Growth Shares of the Group's parent company, Hoggant Ltd as at 31 Dec 2025.

The grant date fair value of a share-based payment transaction is recognised as an employee expense, with a corresponding increase in equity over the vesting period of the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The amount recognised as an expense in the Income Statement is based on amortising the grant date fair value at a constant rate to the vesting date.

7.5.1 Scheme details and reorganisation

The legacy incentive scheme comprised 'B' Ordinary shares in Hoggant Ltd (the Group's parent). In November 2025, as part of a capital reorganisation B shares were repurchased, and subsequently G-class growth shares were designated and issued in November 2025.

Holders of G Shares are entitled to participate only in equity value above the investor IRR hurdle; the awards service-vest up to the fifth anniversary of grant:

7.5.2 Measurement of grant date fair value (G class)

Grant date fair value was measured using a Black Scholes option model that reflects the 8% investor IRR hurdle as a market condition by setting the strike $K=S_0(1+8\%)^T$.

Key inputs for the November 2025 measurement under the Black-Scholes option model were:

- Spot equity S_0 equal to HTB TNAV at grant date was determined by reference to the Group's valuation at grant date, consistent with contemporaneous third-party transactions);
- Valuation term: 4 years given the expected exit horizon;
- Risk-free rate 4.1% based on UK 5-year gilt auction (25 November 2025);
- Dividend yield 0% given this is an exit-based structure; and
- Volatility: Although the Black-Scholes equation assumes predictable constant volatility, this is not observed in real markets. In order to estimate the annualised volatility, we have assessed the past standard deviation of the stock price of comparable quoted banks over a period commensurate with the expected term.

7.6 Leases

7.6.1 As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the

Group uses its incremental borrowing rate as the discount rate.

The incremental borrowing rate is determined by analysing borrowings from/to external sources adjusted to reflect the terms of the lease and the type of asset leased.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments with these leases as an expense on a straight-line basis over the lease term. For property leases, the Group has elected to separate the non-lease and lease component.

7.6.2 As a lessor

At lease inception, the lessor determines whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease. If not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Assets leased to customers are finance leases per IFRS 16. When assets are leased to customers under finance leases, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised within interest income.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

The discount rate used in the calculation of lease liability, is an estimation. For the property leases, the rate implicit in the Group's property leases cannot be determined and it is unclear what

a market rate for a secured loan provided to a Bank would be. In practice, banks do not enter into mortgage contracts with other lenders, particularly ones with such short terms, therefore, a rate of 7.0% would be an equivalent market rate to borrow a similar amount, on a secured basis, over a similar term, given the Group's current credit standing.

The Group uses two data centre providers where the Group has the right to direct the use of the asset and obtain all economic benefits relating to the asset i.e. access to physical cabinets and therefore within the scope of IFRS 16. Due to the nature of the rolling contracts, we have taken the exemption of short-term leases on those agreements.

7.7 Dividend Income

Dividend income is recognised when the right to receive income is established. Dividends are presented based on the underlying classification of the equity instruments.

7.8 Taxation

Tax on the profit or loss for the year comprises current 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 it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss 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 provided in full using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

7.9 Financial assets & liabilities

Loans and advances include:

- Loans and advances measured at amortised cost – they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.
- Loans and advances mandatorily measured at FVTPL or designated as at FVTPL – these are measured at fair value with changes recognised immediately in profit or loss.
- Lease receivables.

Investment securities include:

- Covered bonds and Residential Mortgage-Backed Securities (RMBS) measured at amortised cost. These are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

7.9.1 Classification

A financial asset is measured at amortised cost if both the following conditions are met, and it has not been designated at FVTPL:

- The asset is held within a business model where the objective is to hold the asset to collect its contractual cash flows.
- The contractual terms of the financial asset give rise to cash flows on specified dates that represent payments of solely principal and interest ("SPPI") on the outstanding principal amount.

A debt instrument would be measured at fair value

through other comprehensive income ('FVOCI') only if both below conditions are met and it has not been designated as FVTPL:

- The asset is held within a business model where the objective is achieved by both collecting its contractual cash flows and selling the financial asset.
- The contractual terms of the financial asset give rise to cash flows on specified dates that represent payments of solely principal and interest on the outstanding principal amount.

All other financial assets are classified as measured at FVTPL.

7.9.2 Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets.
- How the performance of the portfolio is evaluated and reported to the Group's management.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed.

The Group's current business model for all financial assets is to hold to collect contractual cash flows.

7.9.3 Significant judgement: Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset

on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payment of principal and interest (SPPI), the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows.
- Leverage features.
- Prepayment and extension terms.
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans).
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

During the year the Group held a loan under its Development Finance portfolio which had contingent exit fees, these fees were contingent on the value of the finished development, the Group deems this loan to fall outside of SPPI and accordingly accounts for it at FVTPL. This loan was repaid during the year.

7.9.4 Derecognition

The Group derecognises a financial asset when the contractual right to the cash flows from the financial asset expires or it transfers the right to receive contractual cash flows in a transaction in which substantially all the risks and rewards of the financial asset are transferred.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration

received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in Other Comprehensive Income ("OCI") is recognised in the income statement.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

7.9.5 Securitisation transactions

Certain loans initially classified within loans and advances to customers are securitised by transferring the beneficial interest in the loans to a bankruptcy-remote structured entity. A structured entity is designed so that its activities are not governed by voting rights.

The Group undertakes an assessment, to determine whether it controls such structured entities. This evaluation considers, among other factors, the purpose and design of the entity, its practical ability to direct the relevant activities, the nature of the relationship with the entity, and the extent of the Group's exposure to variability in the entity's returns.

If the Group is determined in the above assessment to control the structured entity, it would be accounted for as a subsidiary and would be fully consolidated in the Group's financial statements. Where it doesn't control the entities involved, the Group discloses its interest in them in under Note 45: as Involvement with unconsolidated structured entities.

A further assessment is conducted to establish whether the securitised loans satisfy the derecognition criteria outlined in Note 7.9.4 above. Should these criteria be met, the transferred loans are accounted for as sale- and any resulting gain or loss on derecognition is recognised in the statement of profit and loss.

Conversely, if the derecognition criteria are not met, the transfer is not treated as a sale, and the loans continue to be fully recognised in the statement of financial position.



7.9.6 Offsetting financial assets and financial liabilities

The Group receives and gives collateral in the form of cash in respect of its derivative transactions which are entered into under Cleared Derivatives Execution Agreements (CDEA) and the corresponding cleared derivatives master netting documentation. Under the CDEA the parties to the agreement have a right of set off collateral against recognised amounts, which only becomes enforceable following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events, and as such these agreements do not meet the criteria for offsetting in the statement of financial position as per IAS 32.

In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously. As such cash collateral pledged is held within Loans and advances to banks and cash collateral received is held within other creditors in the statement of Financial Position.

7.10 Modification of financial assets and financial liabilities

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs. If any modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment.

7.11 Impairment

The impairment model in IFRS 9 is an expected credit loss model, which means that it is not necessary for a loss event to occur before an impairment loss is recognised. The impairment allowance is more forward-looking.

The impairment requirements apply to all financial assets at amortised cost, debt financial assets at FVOCI and loan commitments but not those measured at FVTPL (one Development Finance loan as mentioned above).

IFRS 9 requires assets to be classified into three stages. The Group applies this three-stage approach to measuring the expected credit loss (ECL) based on credit migration between the stages.

| | |
|---------------------------------|---|
| Stage 1 | Financial assets determined to have low credit risk at the reporting date, financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses (ECL) are recognised and interest revenue is calculated on the gross carrying amount of the asset. 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. |
| Stage 2 | Financial assets that have experienced a significant increase in credit risk since initial recognition, are placed on the Group's Watchlist, are in forbearance but still performing or trigger the 30 days past due backstop. For these assets, lifetime ECL are recognised, but interest income is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial asset. |
| Stage 3 and Stage 3 POCI | Financial assets that have defaulted and are otherwise considered to be credit impaired, including having triggered the 90 days past due backstop. For these assets, specific impairment provisions will be raised where there is a reasonable expectation of an actual or potential loss. Interest income is calculated on the net carrying amount. |
| | Purchased or originated credit impaired (POCI) |
| | Acquired loans that meet the Group's definition of default at acquisition are treated as POCI assets. These assets attract a lifetime ECL allowance over the full term of the loan, even when these loans no longer meet the definition of default post acquisition. The Group does not originate credit-impaired loans. |

7.11.1 Significant estimates: ECL

IFRS 9 impairment involves several important areas of judgement, including estimating forward looking modelled parameters, developing a range of unbiased future economic scenarios, estimating expected lives and assessing significant increases in credit risk, based on the Group's experience of managing credit risk.

Stages 1 and 2 ECLs as defined in the accounting policy are the product of the ECL model. Model governance, including validation both at inception and periodically, manual overlays, inputs and outputs, is covered by the Model Governance Committee.

Stage 3 impairments are assessed manually. Loans move to stage 3 when a specific event has occurred where there is objective evidence of impairment. In any case, the back-stop position is loans that are in default (90 days+ past due) automatically go into stage 3. When determining specific provisions and recoverability, each case is individually assessed with consideration given to inter alia the security, the estimated costs of recovery, any future interest accruals, the range of potential outcomes, etc, as well as macroeconomic assumptions which has been the practice in effect.

7.11.2 Measurement of ECL/ECL Model

ECL are a probability-weighted estimate of credit losses. Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate. The impairment model calculates ECL at an individual loan level by multiplying probability of default (PD), loss given default (LGD) and the exposure at default (EAD). These variables are derived from internally developed statistical models adjusted to reflect forward looking information and are discussed below. Management adjustments are made to modelled output to account for situations where known or expected risk factors have not been considered in the modelling process. The recognition and measurement of ECL is highly complex and involves the use of significant judgement and estimation. This includes the formulation and incorporation of multiple forward-looking economic conditions into ECL to meet the measurement objective of IFRS 9.

PD represents the likelihood of a customer defaulting on their loan. The 12-month PD is either taken from a point-in-time reporting or application PD model or manually assessed via the 'Watch' process. PD models utilise qualitative and quantitative factors that are indicative of the risk of default e.g. arrears status and loan applications scores. This is then extrapolated using historical industry data, where available, or expert judgement to calculate the lifetime PD. The lifetime PD is calculated on a weighted basis across all scenarios.

These factors vary for each loan portfolio. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The forecast changes in economic conditions are considered for all portfolios.

As the Group's performance data does not go back far enough to capture a full economic cycle, the Group selected a proxy series that best represents each business line to build economic response models ('ERM') to capture the effects of a recession. For Specialist Mortgages it is UK Finance's Mortgages Over Three Months in Arrears for the Buy-to-Let Market. For Development Finance, Asset Finance, Wholesale and the Other Commercial and Acquisition Finance portfolios this is the ONS published Company Insolvencies; and for Retail Finance it is the Other Personal Lending Bank Balance Write-offs published by the Bank of England.

EAD EAD is based on the amount expected to be owed at default over the next 12 months (stage 1 accounts) or over the remaining lifetime (stage 2 accounts). EAD represents the expected exposure in the event of a default. EAD is derived from the current exposure and potential changes to the current amount allowed under the terms of the contract, including amortisation, overpayments and early terminations.

The EAD of a financial asset is its gross carrying amount. For loan commitments, the EAD includes the amount drawn as well as potential future amounts that may be drawn under the terms of the contract, estimated based on historical observations and forward-looking forecasts.

LGD LGD is the magnitude of the likely loss in the event of default. This takes into account recoveries either through curing or, where applicable, through auction sale of repossessed collateral and debt sale of the residual shortfall amount. For loans secured by property and property developments, loan to value ('LTV') and gross development values ('GDV') ratios are key parameters in determining LGD. LGDs are calculated on a discounted cash flow basis using the financial instrument's effective interest rate origination as the discount factor.



7.11.3 Significant judgement and estimates: Determining a significant increase in credit risk since initial recognition

The impairment model utilises both relative and absolute criteria to identify increases in credit risk:

- Loans 30 days past due but with less than 90 days of arrears.
- Loans moved to the Watchlist. Numerous quantitative and qualitative watch list factors are monitored including changes in bureau behavioural score, formal credit actions (e.g. winding up orders, CCJs, meeting of creditors unless these examples haven't already resulted in a Stage 3 classification), changes in customer behaviour, and requests for payment holidays (typically borrower-specific forbearance that indicates financial difficulty), adverse changes in financial performance, significant changes in Directors and cost over runs and timing delays experienced by borrowers. Current and forecast adverse changes in the customer's geography and sector are also considered.
- Deterioration of lifetime PD since origination (by a relative threshold). In addition, for all portfolios, these increases are subject to a de minimis floor to ensure that the accounts with the lowest credit risk do not move into stage 2 due to a minimal change in the absolute level of PD.

Due to a lack of historical trading data, the Group's stage transition criteria were set using industry level data and expert judgement. Going forward the criteria will be refined once sufficient HTB specific credit data is available and the Group can further develop its quantitative tests.

7.11.4 Definition of default and credit-impaired assets

A financial asset is credit impaired (or defaulted) when an event or events that have a detrimental impact on estimated future cash flows have occurred. The triggers that will help identify this are explained below.

Loan accounts are classified as in default if any of the following criteria has been met:

- 90 days past due.
 - Customer is becoming probable to be bankrupt, in administration or liquidation.
 - Significant decline in the credit quality of a credit obligation.
 - Material breach of documented terms and conditions which the Group has considered appropriate to enforce.
 - Stage 3 exposures.
 - Forborne non-performing exposures.
 - Sale of credit obligations (not currently done by the Group).
- Distressed restructuring.

The definition of default aligns with that applied by the Group for regulatory capital purposes.

7.11.5 Forecast economic data

IFRS 9 requires ECL to reflect a range of possible outcomes and to consider future economic conditions. The Group incorporates forward looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since initial recognition and its measurement of ECL. This is achieved by developing a number of potential economic scenarios and modelling ECL for each scenario. The outputs from each scenario are combined using the estimated likelihood of each scenario occurring to derive a probability-weighted expected credit loss. The scenarios adopted and probability weighting applied are approved by the Model Governance Committee and then submitted to the Audit Committee as part of year end approval.

To achieve this the model uses five economic forecasts: one base; two upside; and two downside scenarios. All the scenarios have been sourced from an independent economic consultancy, Oxford Economics. The upside and downside scenarios are calculated from a range of economic variables that are stressed around the base case. The ECL recognised in the financial statements reflects the effect on expected credit losses of a range of possible outcomes, calculated on a probability-weighted basis, based on the economic scenarios described above. The probability-weighted amount is typically a higher number than would result from using only the base economic scenario. Credit losses and defaults typically have a non-linear relationship to the many factors which influence credit losses, such that more favourable macroeconomic factors do not reduce expected losses as much as less favourable macroeconomic factors increase expected losses.

7.11.6 Movement between stages

Watchlists will be reviewed regularly by the Head of Business Support to ensure that the strategies remain appropriate and up to date. Performing assets which have experienced a significant increase in credit risk since initial recognition are reclassified from Stage 1 (12 month ECL) to Stage 2 (lifetime ECL).

The decision to move a customer from 'Watch' to 'Performing' status can only be made by an individual/committee with the correct level of authority as per the Group's Delegated Authorities.

7.11.7 Cure methodology

The credit risk of a financial asset may improve such that it is no longer considered to have experienced a significant increase in credit risk if it meets the Group's cure methodology.

The Group's cure methodology for all portfolios requires sufficient payments to be made to bring an account back within less than 30 days past due and for such payments to be maintained for two consecutive months.

To comply with IFRS 9 a customer will remain in default for 90 days even if cured. There is a 3-month probation period for both Stage 2 and 3 (except for loans under distressed restructuring that require a 12 month probation period). This also includes accounts that are removed from the watchlist. Stage 3 loans can be moved to Stage 2 only on the basis of further analysis of the borrower's financial situation and the Group is satisfied about the likelihood of full and timely repayment of the exposure.

7.11.8 Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on loans and advances to customers' in the statement of comprehensive income.

7.11.9 Definition of forbearance

Forbearance is deemed to arise where the Group agrees, either formally or informally, to vary the contractual terms of a Credit Facility Agreement, prompted by:

- Current or anticipated financial difficulty of the borrower.
- Where concessions provided by the Group would not otherwise have been considered.

Forbearance is a qualitative Stage 2 trigger (as mentioned above).

7.11.10 Governance

Stages 1 and 2 ECLs are the product of the ECL model. Model governance, including validation both at inception and periodically, monitoring, manual overlays, inputs and outputs, is covered by the Model Governance Committee.

Stage 3 impairments are assessed manually. Loans move to Stage 3 when a specific event has occurred where there is objective evidence of impairment. In any case, the back-stop position is loans that are in default (90 days+ past due) automatically go into Stage 3. When determining specific provisions and recoverability, macro-economic assumptions will also be taken into account.

The Credit Risk Management Framework is a key component of the RMF linking together the requirements for all the Group's credit-related policies, procedures and practices and setting out how the Group will develop, implement, monitor and review credit risk. The Board sets its risk appetite in respect of Credit Performance and Stewardship, Credit Quality and Credit Concentration and monitors adherence to risk appetite using a suite of risk appetite metrics which are reviewed by Board each month. All aspects of credit risk management including maintenance of appropriate frameworks and policies are subject to review by Credit Committee under direct report to Board Risk Committee.

Performance of the loan book is monitored and reported by the 2nd Line Risk Credit Analytics Team, working closely with the Group's Models Credit Risk Team who manage the Group's IFRS 9 credit grading and loss models.

The Group also operates a stand-alone 2nd Line Business Support and Recoveries unit reporting direct to the Chief Risk Officer, independent of the 2nd Line Credit Risk Team. This unit manages all credit distressed customers with a view to supporting them to return to good health or seek alternative resolution to problem debt management.

All default accounts will be reviewed by the appropriate Delegated Authority holder or Credit Committee on a regular basis (quarterly as a minimum) and monitored monthly via risk data reporting packs. Any adjustment to the level of the provision will be subject to approval at the appropriate Delegated Authority level.

The Group manages its Model Risk through the Model Governance Committee ('MGC'). The committee is chaired by the CRO and is made up of the CFO, CCO, Director of Credit Analytics and Model Governance and Head of Models Risk. The purpose of this committee is:

- To develop and recommend a framework comprising a set of model governance principles, policies, standards, and practices (including independence standards) that optimally support the Group's strategic priorities in accordance with the delegations under the Group's Schedule of Policies and Frameworks.
- To ensure that there is robust ongoing monitoring, challenge and assessment of all Models within the Group's business, including the monitoring of both Credit and Finance models.
- To oversee actions necessary to ensure the Group's Model Governance is adhered.
- To provide a quarterly summary of progress from the MGC including completed actions to the Audit Committee.

7.12 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price, and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently that difference is recognised in the income statement on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

7.12.1 Use of estimates

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis. The objective of valuation techniques is to determine the fair value of the financial instrument at the reporting date and the price that would have been agreed between active market participants in an arm's length transaction.

The Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments, such as interest rate swaps, that use only observable market data and require little management estimation. Observable prices and model inputs are usually available in the market for listed debt securities and simple over the counter derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Group uses proprietary valuation models, which are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market and may be derived from market prices or rates or estimates based on assumptions. Examples of instruments involving significant unobservable inputs include certain loans and advances. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for determination of timing and size of cash flows, probability of counterparty default and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors such as liquidity risk and model uncertainties to the extent the Group believes a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument.

7.13 Loans and advances to banks

Cash and cash equivalents comprise cash on hand and loans and advances to banks. Loans to banks comprise cash balances, call deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

7.14 Derivatives held for risk management purposes and hedge accounting

The Group designates certain derivatives as hedging instruments in respect to interest rate risk in fair value and cash flow hedges. The Group applies hedge accounting for portfolio hedges of interest rate risk. The hedged items are portfolios that are identified as part of the risk management process. The Group uses the exemption in IFRS 9 to continue using IAS 39 hedge accounting for such portfolio fair value hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

If a hedging relationship ceases to meet the hedge effectiveness (80-125%) requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

7.14.1 Fair value hedges

The Group applies fair value hedge accounting for portfolio hedges of interest rate risk. As part of its risk management process, the Group identifies portfolios whose interest rate risk it wishes to hedge. The portfolio comprises either only assets or only liabilities. The Group analyses each portfolio into repricing time periods based on expected repricing dates, by scheduling cash flows into the periods in which they are expected to occur.

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability, or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Any adjustment up to the point of discontinuation to a hedged item is amortised to income statement on a straight-line basis over its remaining life.

On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to income statement by adjusting the effective interest

rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

The Group has no outstanding LIBOR linked derivatives, however, the Group has a back-book of LIBOR-referencing or LIBOR-linked loans in 2025. The Group migrated all these loans to Base rate during 2024 and 2025 and thus the Group has concluded that as at 31 December 2025, its fair value hedging relationships are no longer subject to uncertainty driven by IBOR reform or reference erstwhile LIBOR. Accordingly, the Group ceased to apply the assumptions that the hedged benchmark interest rate, the cash flows of the hedged item and hedging instrument are not altered as a result of IBOR reform when the uncertainty arising from IBOR reform was no longer present.

7.14.2 Cash flow hedges

The Group uses pay fixed/receive floating interest rate to hedge the interest rate risks in respect of the benchmark interest rate (SONIA). The Group hedges interest rate risk to the extent of benchmark interest rate exposure on its floating rate notes to mitigate variability in its cash flows. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria under IFRS 9.

The Group determines whether an economic relationship exists between the cash flows of the hedged item and hedging instrument based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Group considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Group evaluates whether the cash flows of the hedged item and the hedging instrument respond similarly to the hedged risk, such as the benchmark interest rate. The Group further supports this qualitative assessment by using the dollar offset method to assess whether the hedging instrument is expected to be and has been highly effective

in offsetting changes in the present value of the hedged item.

When a derivative is designated as the hedging instrument in a hedge of variability in cash flows attributable to a particular risk associated with a recognised asset or liability or highly probably forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in the hedging reserve is reclassified from OCI to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated and exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the hedged cash flows are no longer expected to occur, then the amount accumulated in the hedging reserve is reclassified from OCI to profit or loss immediately, if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Group reclassifies the amount in the hedging reserve from OCI to profit or loss on straight line basis.

7.15 Property, Plant and Equipment

Tangible fixed assets are stated at historical cost, which includes direct and incremental acquisition costs less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment at the following rates:

| | |
|--------------------------|-----------|
| • Office equipment | 10% - 33% |
| • Fixtures and fittings | 10% - 33% |
| • Equipment for hire | 25% - 50% |
| • Leasehold improvements | 25% - 50% |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted accordingly with any adjustments made prospectively.

7.15.1 Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

7.15.2 Impairment of Property, Plant and Equipment

At each balance sheet date Property, Plant and Equipment are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount which is the higher of the asset's net selling price and its value in use.

The carrying values of fixed assets are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount.

The Group leases office premises and these are presented as Right-of-Use assets on a separate line in the statement of financial position.

7.16 Intangible assets

The Group's intangible assets comprise purchased

software, which is acquired, and internally developed software, which is internally generated. Purchased software and costs directly associated with the internal development of computer software are capitalised as intangible assets where the software is an identifiable asset controlled by the Group which will generate future economic benefits and where costs can be reliably measured. They are stated at historical cost.

Amortisation begins when the asset becomes available for operational use and is charged to the income statement on a straight-line basis over the estimated useful life of the software, which is generally between 3 to 7 years. The amortisation periods Useful lives are determined having regard to contractual licence terms, vendor support horizons, expected replacement or upgrade cycle used and are reviewed annually. Amortisation of intangible assets is presented within administrative expenses in the income statement.

7.16.1 Subsequent costs

Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an expense as incurred. Intangible assets are stated at cost less cumulative amortisation and impairment losses.

Assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and its value in use.

7.17 Deposits

Customer deposits are non-derivative financial liabilities with fixed or determinable payments. Deposits are initially measured at fair value less incremental direct transaction costs.

Subsequently, they are measured at amortised cost using the effective interest rate method.

Funding is raised from customers depositing money in their savings accounts and from central bank facilities. These funds are then used to lend to customers. To ensure the Group has sufficient cash to repay customers when required, we are required to hold a minimum level of liquid assets. The Group's Treasury team manage the level of liquid assets and funding to ensure we meet the demands of customers, creditors and regulators.

7.18 Financial liabilities – central bank facilities

Loans and advances over which the Group transfers its rights to the collateral thereon to the Bank of England under the Indexed Long-term Repo Scheme (ILTR) are not derecognised from the Statement of Financial Position as the Group retains substantially all the risks and rewards of ownership including all cash flows from the loans and advances and exposure to credit risk.

Financial liabilities are initially measured at fair value and are subsequently measured generally at amortised cost unless it is held for trading. A financial liability will be derecognised when it is discharged or cancelled or expired. Financial liabilities are subsequently measured at amortised cost, interest is accrued over the life of the agreement on an EIR basis.

Drawings under ILTR have a short maturity date and a rate of interest set in auction process. Drawings under the scheme are collateralised using the Group's loan portfolio and are measured at amortised cost. The volume of funding which can be drawn through central bank facilities is restricted by the volume of assets which the Group is willing to encumber in the scheme. The Group has set its risk appetite for asset encumbrance to ensure that the Group is able to fully utilise central bank facilities, whilst ensuring sufficient availability of 'free' assets, (assets that are unencumbered but that may be encumbered).

The Group regularly monitors the level of encumbrance to ensure it is in line with the above approved internal risk appetite limits.

7.19 Subordinated liabilities

Subordinated liabilities are initially measured at fair value minus incremental direct transaction costs. These instruments are subsequently stated at amortised cost using the effective interest rate method. The subordinated Tier 2 notes are eligible for treatment as regulatory capital.

7.20 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that the outflow of the economic benefits will be required to settle the obligation.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the reporting date. For large populations of items, the Group applies an expected value approach. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense.

Provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If the levy is subject to a minimum activity threshold, then a provision is recognised when that minimum activity of threshold is reached.

7.21 Financial guarantees and loan commitments

The Group benefits from government-backed guarantee arrangements for certain SME lending, with the British Business Bank (BBB) acting as agent for the Secretary of State for Business.

The Group has participated in the Coronavirus Business Interruption Loan Scheme (CBILS) and the Recovery Loan Scheme (RLS), and from

1 July 2025 the Growth Guarantee Scheme (GGS) replaced RLS for new lending. Under these schemes, the UK Government provides a guarantee intended to cover a portion of losses on eligible facilities, subject to each scheme's specific terms and conditions.

In addition, the Group holds an Enable Guarantee Scheme that provides portfolio-level loss protection up to 75% of losses, subject to a first-loss portion retained by the Group.

At 31 December 2025, the Group had £15m of lending outstanding within government-backed schemes (CBILS/RLS/GGS) and £140m of lending included within the Enable guaranteed portfolio.

Financial guarantee contracts held are recognised as an asset equal to the prepayment of the premium paid and the asset is amortised to profit and loss over the period in which benefit of the guarantee is obtained.

7.22 Contingent liabilities

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group. Alternatively, they present obligations where the outflow of resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised in the financial statements, but they are disclosed unless the probability of settlement is remote.

7.23 Shareholders' funds

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Where an instrument contains no obligation on the Group to deliver cash or other financial assets, or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group, or where the instrument will or may be settled in the Group's own equity instruments but includes no obligation to deliver a variable number of the Group's own

equity instruments, then it is treated as an equity instrument. Accordingly, the Group's share capital is presented as components of equity. Any dividends, interest or other distributions on capital instruments are also recognised in equity. Any related tax is accounted for in accordance with IAS 12.

7.24 Other equity instruments

Capital securities are classified as equity instruments, as the substance of the contractual arrangements are such that there is no present obligation to deliver cash, another financial asset or a variable number of equity instruments. The capital securities are measured at fair value of the proceeds from the issuance less any costs that are incremental and directly attributable to the issuance (net of applicable tax).

Distributions to holders of the capital securities are recognised when they become irrecoverable and are deducted from retained earnings in equity.



8. Interest income and expense

See accounting policies in notes 7.1 and 7.3.

| | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|---|-----------------------|-----------------------|----------------------|----------------------|
| Interest and similar income on loans and advances to customers held at amortised cost | 328,906 | 315,111 | 316,440 | 294,913 |
| Interest and similar income on loans and advances to customers held at fair value through profit and loss | - | 12 | - | 12 |
| Interest on loans and advances to banks | 53,460 | 36,697 | 53,460 | 36,697 |
| Interest on investment securities | 20,004 | 11,243 | 20,004 | 10,751 |
| Interest on intercompany loans | - | - | 6,986 | 9,821 |
| Total interest receivable and similar income | 402,370 | 363,063 | 396,890 | 352,194 |
| Interest on deposits from customers | (210,154) | (185,592) | (210,153) | (185,003) |
| Interest on TFSME & ILTR | (12,224) | (17,038) | (12,223) | (15,271) |
| Interest on subordinated liabilities | (6,895) | (6,578) | (6,895) | (6,578) |
| Total interest expense and similar charges | (229,273) | (209,208) | (229,271) | (206,852) |
| Net interest income | 173,097 | 153,855 | 167,619 | 145,342 |

9. Fees and commission income and expense

See accounting policies in notes 7.2.

| | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|-------------------------------------|-----------------------|-----------------------|----------------------|----------------------|
| Operating Lease Income | 158 | 597 | - | - |
| Total operating lease income | 158 | 597 | - | - |
| Facility Fees | 755 | 589 | 748 | 572 |
| Early Settlement Fees | 1,723 | 2,649 | 1,591 | 2,482 |
| Customer Service Fees | 681 | 162 | 644 | 118 |
| Margin account Fees | 23 | - | 23 | - |
| Fees and commission income | 3,182 | 3,400 | 3,006 | 3,172 |
| Bank Charges | (691) | (958) | (693) | (967) |
| Credit and Identity Searches | (419) | (446) | (417) | (439) |
| Fees and commission expense | (1,110) | (1,404) | (1,110) | (1,406) |

10. Net gain or loss on financial assets at fair value through P&L

See accounting policy in note 7.3.

| Group and Bank | Note | 2025 £000 | 2024 £000 |
|--|-------|----------------|--------------|
| Fair value losses on derivative financial instruments | 22/23 | (958) | (435) |
| Gain/(Loss) on loans and advances to customers held at FVTPL | 24 | (52) | 120 |
| Net (loss) on loans and other financial assets at FVTPL | | (1,010) | (315) |

11. Net gain or loss arising from derecognition of financial assets and liabilities measured at amortised cost

The gains or losses on financial assets and liabilities held at amortised cost and sold during the periods 31 December 2025 and 31 December 2024 are as follows:

| Group and Bank | Note | 2025 £000 | 2024 £000 |
|--|------|--------------|--------------|
| Loans and advances to customers held at amortised cost | 45 | - | 7,275 |
| Subordinated liabilities | 37 | (769) | - |
| Net (loss)/gain arising from derecognition of financial assets and liabilities measured at amortised cost | | (769) | 7,275 |

In October 2025 the Group exercised the option to early call £30m of 9.71% Fixed Rate Reset Callable Subordinated Notes, incurring a £769k premium on derecognition.

The Group entered a securitisation transaction in November 2024 that resulted in the transfer of financial assets (loans and advances to customers). The transferred financial assets have been derecognised in their entirety in compliance with the requirements under IFRS 9. A gain on the sale of securitised loans arose due to consideration received in excess of the carrying value of the assets, compensating for future interest repayments. See note 45 for more information.

12. Other income

| | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|------------------------|-----------------------|-----------------------|----------------------|----------------------|
| Foreign exchange gains | 29 | - | 29 | - |
| Management recharges | - | - | 2,858 | 3,927 |
| Other Income | 29 | - | 2,887 | 3,927 |

Management recharges of £2.9m (2024: £3.9m) are staff costs related to ongoing management activities and recharges of operational costs paid by HTB on behalf of HLF.

13. Administrative expenses

| | Note | Group | Group | Bank | Bank |
|----------------------------------|----------|---------------|---------------|---------------|---------------|
| | | 2025 | 2024 | 2025 | 2024 |
| | | £000 | £000 | £000 | £000 |
| Depreciation and amortisation | 32/33/34 | 7,348 | 7,252 | 6,963 | 5,800 |
| Loss on disposal of fixed assets | 32/33 | 459 | 203 | 459 | - |
| Staff costs | 14 | 50,855 | 50,920 | 50,005 | 48,783 |
| Share based payments | 15 | 718 | (204) | 718 | (204) |
| Allowance for provisions | 38 | 2,150 | - | 2,150 | - |
| Other administrative expenses | | 23,095 | 22,349 | 22,744 | 21,166 |
| Administrative expenses | | 84,625 | 80,520 | 83,039 | 75,545 |

Included within the Bank's administrative expenses are £1.3m staff costs (2024: £1.7m) and £1.6m of other administrative expenses (2024: £2.2m) subject to management recharges to subsidiary undertakings as recognised through other income (note 12).

The Bank also recognised a £2.2m charge in provisions in respect of discretionary commission arrangements (DCA) in 2025 (Note 38), no charge was recognised in 2024 as the matter was assessed to be a contingent liability and disclosed accordingly.

14. Staff numbers and costs

See accounting policy in note 7.4.

The average number of persons employed by the Group (including Directors) during the year was as follows:

| | Group | Restated Group | Bank | Restated Bank |
|----------------|------------|----------------|------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| Directors | 10 | 8 | 10 | 8 |
| Lending | 176 | 200 | 169 | 178 |
| Administrators | 264 | 244 | 259 | 231 |
| | 450 | 452 | 438 | 417 |

The analysis includes both full-time and part-time staff including Non-Executive Directors.

Comparatives for year ended 31 December 2024 have been restated.

The aggregate payroll costs of these people were as follows:

| | Group | Group | Bank | Bank |
|--|---------------|---------------|---------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | £000 | £000 | £000 | £000 |
| Wages and Salaries | 43,640 | 43,546 | 42,872 | 41,689 |
| Social Security costs | 5,776 | 5,350 | 5,702 | 5,179 |
| Pension costs | 2,694 | 2,659 | 2,653 | 2,550 |
| Other staff costs | 1,139 | 1,812 | 1,172 | 1,812 |
| | 53,249 | 53,367 | 52,399 | 51,230 |
| Of which capitalised as Intangible Assets | 2,394 | 2,447 | 2,394 | 2,447 |
| Of which included within Administration Expenses | 50,855 | 50,920 | 50,005 | 48,783 |
| | 53,249 | 53,367 | 52,399 | 51,230 |

Directors remuneration and share-based payments:

| | Group | Group | Bank | Bank |
|---------------------------------|--------------|--------------|--------------|--------------|
| | 2025 | 2024 | 2025 | 2024 |
| | £000 | £000 | £000 | £000 |
| Directors' Salaries and Bonus | 1,873 | 1,823 | 1,868 | 1,768 |
| Directors' Share based payments | 235 | (78) | 235 | (78) |
| | 2,108 | 1,745 | 2,103 | 1,690 |

There were no Directors to whom retirement benefits were accruing in respect of qualifying services during the year (2024: nil).

There were no Directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes during the year (2024: nil).

The aggregate of emoluments of the highest paid Director of the Group and Bank including apportioned share based payments charge was £894k (2024: £650k). No pension costs were attributable to the highest paid Director.

During 2025, remuneration for Non- Executive Directors of the Group totalled £627k (2024: £468k), and for Bank totalled £622k (2024: £413k).

15. Employee share-based payment transactions

See accounting policy in note 7.5.

For 2025 the Group recognised share based payment expense related to B and G shares of £718k (2024: £204k credit, B shares) in profit or loss, with a corresponding credit to equity.

Details of shares issued are shown in the tables below:

B Share Scheme:

| Group and Bank | 2025 No. of Shares '000 | 2024 No. of Shares '000 |
|-----------------------|-------------------------------|-------------------------------|
| At 1 January | 5,273 | 5,699 |
| Granted | 469 | - |
| Forfeited | (173) | (426) |
| Exercised | (5,569) | - |
| At 31 December | - | 5,273 |

In November 2025, the B share awards were repurchased as part of the parent's capital reorganisation. The weighted-average fair value of shares at the date of exercise for share options exercised in 2025 was £827.44 (2024: No options exercised). There were no B share options outstanding as at 31 December 2025.

G share growth scheme (granted 24 Nov 2025):

| Group and Bank | 2025 No. of Shares '000 | 2024 No. of Shares '000 |
|-----------------------|-------------------------------|-------------------------------|
| At 1 January | - | - |
| Granted | 88,452 | - |
| At 31 December | 88,452 | - |

Total G shares of 99,106,161 were created, of which 88,452,248 relate to employee awards and remain outstanding at year end.

16. Impairment loss on investment in subsidiaries

During the year HTB Leasing and Finance Limited (HLF), a direct and wholly owned subsidiary of the Bank, paid dividends of £26.5m to the Bank. Due to the run-off nature of the Bank's direct subsidiary HLF, this payment was in excess of the retained profits during the year and hence resulted in triggering an impairment assessment under IAS 36. Using a fair valuation methodology in-line with IFRS 13 (incorporating techniques such as discounted cash flow analysis) to determine its recoverable amount, an impairment of £26.5m was recognised in the HTB's separate financial statements during 2025 (2024: £11,219k) as the recoverable amount calculated as the fair value less cost of disposal was below the cost recognised in HTB's separate financial statements.

17. Auditor's remuneration

During the year, the Group obtained the following services from the Bank's auditor:

| Group and Bank | 2025 £000 | 2024 £000 |
|---|--------------|--------------|
| Fees payable to the Bank's auditor for the audit of the Bank and Group financial statements | 1,572 | 1,350 |
| Fees payable to company's auditors and its associates for other services: | | |
| Audit of the financial statements of the Bank's subsidiaries | - | 455 |
| Audit-related assurance services | 60 | 248 |
| Other assurance services | 68 | - |
| Fees payable for subscription services | 3 | - |
| Total other services | 131 | 703 |
| | 1,703 | 2,053 |

18. Dividends received

See accounting policy in note 7.7.

| | Bank 2025 £000 | Bank 2024 £000 |
|--------------------|----------------------|----------------------|
| Dividends received | 26,500 | 11,000 |
| | 26,500 | 11,000 |

During 2025 dividends were paid by HLF of £26.5m (2024: £11m). This resulted in an impairment in subsidiary holdings in HLF for the Bank totalling £26.5m (see note 16).



19. Tax expense

See accounting policy in note 7.8.

Recognised in the Statement of Comprehensive Income

| | Group | Group | Bank | Bank |
|---|---------------|---------------|---------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | £000 | £000 | £000 | £000 |
| Current tax on profits for the year | 20,727 | 17,815 | 20,727 | 17,796 |
| Group relief paid | - | - | 188 | 700 |
| Adjustment in respect of prior years | (3,248) | 478 | (3,020) | 476 |
| Total current tax | 17,479 | 18,293 | 17,895 | 18,972 |
| Deferred tax: | | | | |
| Origination and reversal of temporary differences | 822 | 77 | (370) | (371) |
| Adjustments in respect of prior periods | 880 | 818 | 880 | 806 |
| Effect of tax rate change on opening balance | - | 166 | - | - |
| Unrecoverable deferred tax | - | 500 | - | - |
| Total deferred tax charge | 1,702 | 1,561 | 510 | 435 |
| Tax on profit on ordinary activities | 19,181 | 19,854 | 18,405 | 19,407 |

Tax reconciliation

| | Group | Group | Bank | Bank |
|--|---------------|---------------|---------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | £000 | £000 | £000 | £000 |
| Profit before tax for the year | 82,450 | 71,596 | 78,521 | 72,461 |
| Tax using the UK Corporation Tax rate of 25% (2024: 25%) | 20,613 | 17,899 | 19,630 | 18,115 |
| Effects of: | | | | |
| Permanent non-deductible expenses | 4,239 | 89 | 10,858 | 2,811 |
| Adjustment for prior year tax differences | (1,399) | 1,296 | (1,213) | 1,282 |
| Income not taxable | (3,346) | 70 | (9,944) | (2,801) |
| R&D tax credits | (926) | - | (926) | - |
| Unrecoverable deferred tax charge | - | 500 | - | - |
| | 19,181 | 19,854 | 18,405 | 19,407 |

The corporation tax asset for the Group and the Bank at 31 December 2025 is £4,416k (2024: £1,821k).

20. Deferred tax asset (liability)

See accounting policy in note 7.8.

Deferred tax assets (liabilities) are attributable to the following:

| | Group | Group | Bank | Bank |
|--------------------------------|--------------|--------------|------------|------------|
| | 2025 | 2024 | 2025 | 2024 |
| | £000 | £000 | £000 | £000 |
| Accelerated capital allowances | 3,991 | 4,944 | 267 | 563 |
| Short term timing differences | (222) | 457 | 229 | 457 |
| IFRS 9 adjustment | 475 | 545 | (28) | (42) |
| Unrecoverable deferred tax | (500) | (500) | - | - |
| Deferred tax asset | 3,744 | 5,446 | 468 | 978 |

The movement in deferred tax during the year is as follows:

| | 2025 | 2024 | 2025 | 2024 |
|---|--------------|--------------|------------|------------|
| | £000 | £000 | £000 | £000 |
| Balance brought forward | 5,446 | 7,007 | 978 | 1,414 |
| Adjustments in respect to the prior periods | (880) | (818) | (880) | (806) |
| Charge/credit to the income statement | (822) | (243) | 370 | 370 |
| Unrecoverable deferred tax written off | - | (500) | - | - |
| Deferred tax asset | 3,744 | 5,446 | 468 | 978 |

The Bank has calculated the UK deferred tax asset as at 31 December 2025 using a forecasted future tax rate of 25% (2024: 25%) being the main rate of Corporation Tax enacted at 31 December.

The deferred tax balance of the Group's consolidated subsidiaries relates to timing differences of fixed assets between depreciation and capital allowances, and the IFRS 9 transitional adjustment which is spread over 10 years in line with IFRS. The Group has calculated the UK deferred tax asset on subsidiary fixed assets as at 31 December 2025 using a forecast future tax rate of 25% (2024: 25%). This rate is calculated based on the main rate of Corporation Tax enacted at 31 December.

There is an expectation that due to the run off of the book, HLF will not be able to utilise capital allowances in full each year. Of the balance at 31 December 2025, £500k is estimated to be unrecoverable (2024: £500k).

The IFRS 9 transitional adjustment will be released over 10 years in line with IFRS using a blended rate of 25%.

21. Loans and Advances to Banks

See accounting policy in note 7.9.

| | Group | Group | Bank | Bank |
|---|----------------|------------------|----------------|------------------|
| | 2025 | 2024 | 2025 | 2024 |
| | £000 | £000 | £000 | £000 |
| Placements with other Banks included in Loans and Advances to Banks Repayable on demand | 681,393 | 1,440,372 | 679,085 | 1,435,307 |
| | 681,393 | 1,440,372 | 679,085 | 1,435,307 |

Included within loans to Banks is a balance held in the Bank of England reserve account of £626m (2024: £1,396m).

The table below, excluding the Bank of England reserve account, presents an analysis of Loans and Advances to Banks by rating agency designation as at 31 December, based on Moody's long term ratings.

| | Group | Restated | Bank | Restated |
|-----|---------------|-----------------|---------------|-----------------|
| | 2025 | 2024 | 2025 | 2024 |
| | £000 | £000 | £000 | £000 |
| A1 | 22,005 | 22,051 | 19,698 | 16,986 |
| Aa3 | 33,709 | 22,359 | 33,709 | 22,359 |
| | 55,714 | 44,410 | 53,407 | 39,345 |

The comparatives have been restated to reflect the accurate credit ratings of Margin accounts included within loans and advances to banks.



22. Derivative financial instruments held for risk management

See accounting policy in note 7.14.

The Group holds derivative financial instruments in the normal course of its banking business for interest rate risk management and margin stabilisation purposes. The fair values and notional amounts of derivative instruments held for risk management purposes are presented in the following table:

| Group and Bank | Notional Amount | Fair value of assets | Fair value of liabilities |
|--|------------------------|-----------------------------|----------------------------------|
| | £000 | £000 | £000 |
| At 31 December 2025 | | | |
| Interest rate swaps: | | | |
| Designated in fair value hedges | 4,202,860 | 13,104 | 18,528 |
| Designated in cashflow hedges | 110,270 | 198 | 122 |
| Other risk management derivatives | 301,450 | 24 | 29 |
| | 4,614,580 | 13,326 | 18,679 |
| Foreign exchange forward contracts: | | | |
| Other risk management derivatives | 3,269 | - | 36 |
| | 3,269 | - | 36 |
| Group and Bank | | | |
| At 31 December 2024 | | | |
| Interest rate swaps: | | | |
| Designated in fair value hedges | 3,955,960 | 37,216 | 8,371 |
| Designated in cashflow hedges | 50,520 | 376 | 35 |
| Other risk management derivatives | 1,506,310 | 13,996 | 14,163 |
| | 5,512,790 | 51,588 | 22,569 |

Amounts recognised in the statement of profit and loss in respect of fair value gains and losses on hedged items and hedged instruments are as follows:

| Group and Bank | 2025 | 2024 |
|---|----------------|--------------|
| | £000 | £000 |
| Net gain on derivatives designated as fair value hedges | 32,162 | 19,784 |
| Fair value adjustments from hedge accounting | (34,533) | (20,434) |
| Ineffectiveness of fair value hedges | (2,371) | (650) |
| Net loss on derivatives designated as cashflow hedges, realised through profit and loss | (492) | (425) |
| Movements on other derivative financial instruments | 1,905 | 650 |
| Fair value loss on derivative financial instruments | (958) | (425) |

Details of derivatives designated as hedging instruments in qualifying hedging relationships are provided in Note 23. The Group uses other derivatives, not designated in a qualifying hedging relationship ('other risk management derivatives'), to manage its exposure to interest rate and foreign currency risk. The instruments used principally include interest rate swaps and forward contracts.

For more information about how the Group manages its market risks, see Note 31.3

23. Hedge accounting

Risk management strategy, hedge ratio and sources of ineffectiveness

The Group uses interest rate swaps to hedge exposure to interest rate risk on fixed rate assets and liabilities (fair value hedges) and to hedge the variability in cash flows on certain floating rate liabilities (cash flow hedges).

The hedge ratio equals the nominal of the hedging instrument to the nominal of the hedged item. Sources of hedge ineffectiveness include basis differences between benchmark curves, timing mismatches between the swap and hedged item repricing profiles, and the effect of counterparty and own credit on derivative valuations.

a. Fair value hedges of interest rate risk

See accounting policy in note 7.14.

At 31 December the maturities of interest rate swaps held by the Group as hedging instruments in fair value hedges of interest risk are as follows:

| As at 31 December 2025 | not more than 3 months £000 | over 3 but not more than 6 months £000 | over 6 but not more than 1 year £000 | over 1 but not more than 3 years £000 | over 3 but not more than 5 years £000 | over 5 but not more than 10 years £000 | Total £000 |
|--|--------------------------------|---|---|--|--|---|---------------|
| Nominal value of derivatives held for hedging purposes | 385,410 | 536,150 | 768,900 | 1,213,020 | 1,229,380 | 70,000 | 4,202,860 |
| Average fixed interest rate | 3.62% | 3.50% | 3.31% | 3.83% | 3.83% | 3.79% | 3.67% |

| As at 31 December 2024 | not more than 3 months £000 | over 3 but not more than 6 months £000 | over 6 but not more than 1 year £000 | over 1 but not more than 3 years £000 | over 3 but not more than 5 years £000 | over 5 but not more than 10 years £000 | Total £000 |
|--|--------------------------------|---|---|--|--|---|---------------|
| Nominal value of derivatives held for hedging purposes | 373,000 | 589,200 | 773,300 | 1,242,920 | 962,540 | 15,000 | 3,955,960 |
| Average fixed interest rate | 4.33% | 4.73% | 3.97% | 2.80% | 4.16% | 3.68% | 3.79% |

The amounts relating to items designated as hedged items at 31 December were as follows:

| As at 31 December 2025 | Carrying amount 2025 | | Accumulated Fair value adjustments on the hedge item included in the carrying amount | | Line item in balance sheet | Change in value used for calculating hedge ineffectiveness |
|--------------------------|----------------------|--------------------------|--|---------------------|---------------------------------|--|
| | Assets (FV) £000 | Liabilities (FV) £000 | Assets £000 | Liabilities £000 | | |
| Loans and advances | 2,104,071 | - | 11,490 | - | Loans and advances to customers | 36,347 |
| Customer deposits | - | 1,635,582 | - | 5,138 | Customer deposits | (3,780) |
| Subordinated liabilities | - | 81,475 | - | 1,475 | Subordinated liabilities | (405) |

| As at 31 December 2024 | Carrying amount 2024 | | Accumulated Fair value adjustments on the hedge item included in the carrying amount | | Line item in balance sheet | Change in value used for calculating hedge ineffectiveness |
|--------------------------|----------------------|--------------------------|--|---------------------|---------------------------------|--|
| | Assets (FV) £000 | Liabilities (FV) £000 | Assets £000 | Liabilities £000 | | |
| Loans and advances | 1,551,666 | - | (24,857) | - | Loans and advances to customers | 14,204 |
| Debt securities | - | - | - | - | Debt securities | (10) |
| Customer deposits | - | 1,992,630 | - | 1,358 | Customer deposits | 3,779 |
| Subordinated liabilities | - | 56,070 | - | 1,070 | Subordinated liabilities | 1,811 |

23. Hedge accounting (continued)

The amounts relating to items designated as hedged instruments at 31 December were as follows:

As at 31 December 2025

| | Nominal amount £000 | Assets (carrying amount) £000 | Liabilities (carrying amount) £000 | Line item in balance £000 | Change in fair value £000 | Ineffectiveness | Line item profit or loss |
|--|------------------------|----------------------------------|---------------------------------------|---|------------------------------|-----------------|---|
| Interest rate swap – Hedge of loans and advances | | | | | | | |
| Assets | | | | | | | |
| Interest rate risk | 2,350,990 | 13,104 | - | Derivative assets held for risk management | (24,112) | 3% | Net (loss)/gain on loans and other financial assets at Fair value through profit and loss |
| Interest rate swap – Hedge of customer deposits | | | | | | | |
| Liabilities | | | | | | | |
| Interest rate risk | 1,851,870 | - | 18,528 | Derivative liabilities held for risk management | (10,157) | 2% | Net (loss)/gain on loans and other financial assets at Fair value through profit and loss |

As at 31 December 2024

| | Nominal amount £000 | Assets (carrying amount) £000 | Liabilities (carrying amount) £000 | Line item in balance £000 | Change in fair value £000 | Ineffectiveness | Line item profit or loss |
|--|------------------------|----------------------------------|---------------------------------------|---|------------------------------|-----------------|---|
| Interest rate swap – Hedge of loans and advances | | | | | | | |
| Assets | | | | | | | |
| Interest rate risk | 2,432,300 | 37,216 | - | Derivative assets held for risk management | (37,843) | 1% | Net (loss)/gain on loans and assets at Fair value through profit and loss |
| Interest rate swap – Hedge of customer deposits | | | | | | | |
| Liabilities | | | | | | | |
| Interest rate risk | 1,523,660 | - | 8,371 | Derivative liabilities held for risk management | 14,934 | 1% | Net (loss)/gain on loans and assets at Fair value through profit and loss |

b. Cashflow hedges of interest rate risk

At 31 December the maturities of interest rate swaps held by the Group as hedging instruments in Cash flow hedges of exposures to interest rates are as follows:

| As at 31 December 2025 | over 3 but not more than 5 years £000 | over 5 but not more than 10 years £000 | Total £000 |
|--|--|---|---------------|
| Nominal value of derivatives held for hedging purposes | - | 110,270 | 110,270 |
| Average fixed interest rate | - | 3.62% | 3.62% |
| As at 31 December 2024 | | | |
| Nominal value of derivatives held for hedging purposes | 20,660 | 29,860 | 50,520 |
| Average fixed interest rate | 3.74% | 3.79% | 3.77% |

The amounts relating to items designated as hedged instruments at 31 December were as follows:

As at 31 December 2025

| | Nominal amount £000 | Assets (carrying amount) £000 | Liabilities (carrying amount) £000 | Line item in balance £000 | Change in fair value £000 | Ineffectiveness | Line item profit or loss |
|---|------------------------|----------------------------------|---------------------------------------|---|------------------------------|-----------------|---|
| Interest rate swap – Hedge of floating rate liabilities | | | | | | | |
| Assets | | | | | | | |
| Interest rate risk | 48,750 | 198 | - | Derivative assets held for risk management | (178) | 0% | Net (loss)/gain on loans and assets at Fair value through profit and loss |
| Liabilities | | | | | | | |
| Interest rate risk | 61,520 | - | 122 | Derivative liabilities held for risk management | (87) | 0% | Net (loss)/gain on loans and assets at Fair value through profit and loss |

23. Hedge accounting (continued)

As at 31 December 2024

| | Nominal amount £000 | Assets (carrying amount) £000 | Liabilities (carrying amount) £000 | Line item in balance £000 | Change in fair value £000 | Ineffectiveness | Line item profit or loss |
|---|------------------------|----------------------------------|---------------------------------------|---|------------------------------|-----------------|---|
| Interest rate swap – Hedge of floating rate liabilities | | | | | | | |
| Assets | | | | | | | |
| Interest rate risk | 45,750 | 376 | - | Derivative assets held for risk management | 394 | 0% | Net (loss)/gain on loans and assets at Fair value through profit and loss |
| Liabilities | | | | | | | |
| Interest rate risk | 4,770 | - | 35 | Derivative liabilities held for risk management | 2,115 | 0% | Net (loss)/gain on loans and assets at Fair value through profit and loss |

The amounts relating to items designated as hedged items at 31 December were as follows:

| 31 December 2025 | Line item in balance sheet | Change in value used for calculating hedge ineffectiveness | Cash flow hedge reserve | Balances remaining in cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied |
|--------------------|----------------------------|--|-------------------------|--|
| Interest rate risk | Central Banking Facilities | 184 | 2,182 | 2,177 |
| 31 December 2024 | Line item in balance sheet | Change in value used for calculating hedge ineffectiveness | Cash flow hedge reserve | Balances remaining in cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied |
| Interest rate risk | Central Banking Facilities | 724 | 2,674 | 2,855 |

For more information about how the Group manages its market risks, see Note 31.3.

23. Hedge accounting (continued)*c. Other risk management derivatives*

At 31 December the maturities of other risk management derivatives are as follows:

| As at 31 December 2025 | not more than 3 months £000 | over 3 but not more than 6 months £000 | over 6 but not more than 1 year £000 | over 1 but not more than 3 years £000 | over 3 but not more than 5 years £000 | over 5 but not more than 10 years £000 | Total £000 |
|-----------------------------------|--------------------------------|---|---|--|--|---|---------------|
| Interest rate risk | | | | | | | |
| Interest rate swaps | | | | | | | |
| Nominal value | - | 100,550 | - | 162,100 | - | 38,800 | 301,450 |
| Average fixed interest rate | - | 3.64% | - | 3.51% | - | 3.57% | 3.56% |
| Foreign currency risk | | | | | | | |
| Foreign currency forward contract | | | | | | | |
| Nominal value | - | - | - | 3,269 | - | - | 3,269 |
| Average GBP:EUR exchange rate | - | - | - | 1.09% | - | - | 1.09% |
| As at 31 December 2024 | not more than 3 months £000 | over 3 but not more than 6 months £000 | over 6 but not more than 1 year £000 | over 1 but not more than 3 years £000 | over 3 but not more than 5 years £000 | over 5 but not more than 10 years £000 | Total £000 |
| Interest rate risk | | | | | | | |
| Interest rate swaps | | | | | | | |
| Nominal value | 776,270 | 50,000 | 64,700 | 281,800 | 263,530 | 70,010 | 1,506,310 |
| Average fixed interest rate | - | 3.73% | 2.07% | 2.93% | 0.11% | 4.05% | 0.97% |

24. Loans and advances to customers at FVTPL

See accounting policy in note 7.9.

The following table summarises the carrying values of financial assets presented on the Group's balance sheet and the fair value of these financial instruments.

| Group and Bank | 2025 £000 | 2024 £000 |
|---------------------|--------------|--------------|
| Development Finance | - | 260 |

25. Loans and advances to customers at amortised cost

See accounting policy in note 7.9.

| | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|---|-----------------------|-----------------------|----------------------|----------------------|
| Open Portfolios | | | | |
| Development Finance | 606,810 | 368,394 | 606,810 | 368,394 |
| Less: allowance for impairment | (4,871) | (3,905) | (4,871) | (3,905) |
| | 601,939 | 364,489 | 601,939 | 364,489 |
| Specialist Mortgages | 3,225,232 | 2,426,203 | 3,225,232 | 2,426,203 |
| Less: allowance for impairment | (11,550) | (7,489) | (11,550) | (7,489) |
| | 3,213,682 | 2,418,714 | 3,213,682 | 2,418,714 |
| Wholesale finance | 547,937 | 349,284 | 547,937 | 349,284 |
| Less: allowance for impairment | (1,720) | (1,431) | (1,720) | (1,431) |
| | 546,217 | 347,853 | 546,217 | 347,853 |
| Closed Portfolios | | | | |
| Asset Finance | | | | |
| <i>Hire Purchase and Loans</i> | 152,926 | 269,991 | 135,080 | 230,811 |
| <i>Finance Leases</i> | 37,206 | 59,583 | 35,296 | 55,449 |
| <i>Vehicle Stocking</i> | - | 8,411 | - | 8,411 |
| Less: allowance for impairment | (3,936) | (10,109) | (3,328) | (8,962) |
| | 186,196 | 327,876 | 167,048 | 285,709 |
| Commercial and Retail Finance | 105,677 | 152,451 | - | - |
| Less: allowance for impairment | (2,953) | (4,983) | - | - |
| | 102,724 | 147,468 | - | - |
| Fair value adjustments from portfolio hedging | 11,490 | (24,857) | 11,490 | (24,857) |
| Loans and Advances to Customers held at amortised cost | 4,662,248 | 3,581,543 | 4,540,376 | 3,391,908 |

25. Loans and advances to customers at amortised cost (continued)

Hire Purchase and Loan

See accounting policy in note 7.6.

The table below provides an analysis of Hire Purchase and Loan receivables.

| | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|--|-----------------------|-----------------------|----------------------|----------------------|
| Gross investment in hire purchase receivables: | | | | |
| Year 1 | 76,686 | 118,480 | 65,944 | 96,676 |
| Year 2 | 52,310 | 83,655 | 46,924 | 72,268 |
| Year 3 | 29,322 | 60,281 | 27,300 | 54,714 |
| Year 4 | 8,777 | 32,518 | 8,336 | 30,493 |
| Year 5 | 1,933 | 9,328 | 1,896 | 8,886 |
| More than 5 years | 1,755 | 3,570 | 1,755 | 3,532 |
| Total future repayments | 170,783 | 307,832 | 152,155 | 266,569 |
| Unearned finance income | (17,857) | (37,841) | (17,075) | (35,758) |
| Net investment | 152,926 | 269,991 | 135,080 | 230,811 |
| Less impairment allowance | (3,084) | (8,622) | (2,511) | (7,584) |
| | 149,842 | 261,369 | 132,569 | 223,227 |

Finance Lease Receivables

The table below provides an analysis of finance lease receivables for leases of equipment in which the Group is the lessor.

| | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|--|-----------------------|-----------------------|----------------------|----------------------|
| Gross investment in finance lease receivables: | | | | |
| Year 1 | 19,841 | 25,995 | 18,648 | 23,489 |
| Year 2 | 12,854 | 20,042 | 12,413 | 18,968 |
| Year 3 | 6,611 | 13,351 | 6,372 | 12,916 |
| Year 4 | 1,981 | 6,769 | 1,879 | 6,530 |
| Year 5 | 140 | 2,093 | 87 | 1,991 |
| More than 5 years | 3 | 143 | - | 87 |
| Total future repayments | 41,430 | 68,393 | 39,399 | 63,981 |
| Unearned finance income | (4,224) | (8,810) | (4,103) | (8,532) |
| Net investment in finance leases | 37,206 | 59,583 | 35,296 | 55,449 |
| Less impairment allowance | (851) | (965) | (817) | (849) |
| | 36,355 | 58,618 | 34,479 | 54,600 |

26. Investment securities held at amortised cost

See accounting policy in note 7.9.

The value of investment securities held at amortised cost as at 31 December is as follows:

| | Group | Group | Bank | Bank |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| | £000 | £000 | £000 | £000 |
| Debt securities – Floating rate | 693,673 | 219,980 | 693,673 | 219,980 |
| Debt securities | 693,673 | 219,980 | 693,673 | 219,980 |

The following table sets out the credit quality of Investment Securities as at 31 December. The analysis has been based on Moody's long term ratings.

| | Group | Restated Group | Bank | Restated Bank |
|-----|----------------|----------------|----------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| | £000 | £000 | £000 | £000 |
| Aaa | 693,673 | 219,980 | 693,673 | 219,980 |
| | 693,673 | 219,980 | 693,673 | 219,980 |

Comparatives have been restated to reflect the credit rating of debt securities rather than the counterparty at which they were held in the period.

27. Central Bank Facilities

See accounting policy in note 7.18.

The balances arising from central bank facilities carried in the Bank's accounts are shown below:

| | Group | Group | Bank | Bank |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| | £000 | £000 | £000 | £000 |
| TFSME | - | 295,000 | - | 295,000 |
| ILTR | 290,000 | - | 290,000 | - |
| Central Bank Facilities | 290,000 | 295,000 | 290,000 | 295,000 |

During 2025, the Group ceased to participate in the Bank of England's Term Funding Scheme for SMEs (TFSME), holding £Nil at the year end (2024: £295m). The Group drew loans under the Indexed Long-term Repo Scheme (ILTR) during the year of £290m.

28. Customer Deposits

See accounting policy in note 7.17.

| | Group | Group | Bank | Bank |
|--|------------------|------------------|------------------|------------------|
| | 2025 | 2024 | 2025 | 2024 |
| | £000 | £000 | £000 | £000 |
| With agreed maturity dates or periods of notice by remaining maturity: | | | | |
| On demand | 2,168,343 | 1,370,978 | 2,168,343 | 1,370,978 |
| Not more than three months | 544,990 | 746,442 | 544,990 | 746,442 |
| More than three months but not more than one year | 1,673,468 | 1,494,554 | 1,673,468 | 1,494,554 |
| More than one year but not more than five years | 840,577 | 912,671 | 840,577 | 912,671 |
| More than five years | - | - | - | - |
| | 5,227,378 | 4,524,645 | 5,227,378 | 4,524,645 |
| Fair value adjustments for portfolio hedging | 5,138 | 1,358 | 5,138 | 1,358 |
| Customer deposits | 5,232,516 | 4,526,003 | 5,232,516 | 4,526,003 |

29. Fair value of financial instruments

See accounting policy in note 7.12.

The following table analyses financial instruments that are both measured at fair value and not measured at fair value at the reporting date, by the level of fair value hierarchy into which the fair value measurement is categorised. The amounts are based on values recognised in the statement of financial position.

| Group | Hierarchy level | Amortised Cost | Total carrying amount | Fair Value |
|---|-----------------|------------------|-----------------------|------------------|
| | | £000 | £000 | £000 |
| At 31 December 2025 | | | | |
| Loan and Advances to Banks | Level 1 | 681,393 | 681,393 | 681,393 |
| Loans and Advances to Customers – at amortised cost | Level 3 | 4,662,248 | 4,662,248 | 4,867,913 |
| Investment Securities | Level 1 | 693,673 | 693,673 | 694,158 |
| Derivative Financial Instruments | Level 2 | - | 13,326 | 13,326 |
| Other Assets | Level 3 | 46,115 | 46,115 | 46,115 |
| Total Financial Assets | | 6,083,429 | 6,096,755 | 6,302,905 |
| Customer Deposits | Level 3 | 5,232,516 | 5,232,516 | 5,051,508 |
| Central Bank Facilities | Level 3 | 290,000 | 290,000 | 290,866 |
| Subordinated Liabilities | Level 2 | 81,668 | 81,668 | 81,668 |
| Derivative Financial Instruments | Level 2 | - | 18,715 | 18,715 |
| Lease Liability | Level 3 | 2,900 | 2,900 | 2,900 |
| Other Liabilities | Level 3 | 63,750 | 63,750 | 63,750 |
| Total Financial Liabilities | | 5,670,834 | 5,689,549 | 5,509,407 |

29. Fair value of financial instruments (continued)

| Group | Hierarchy level | Amortised Cost | Total carrying amount | Fair Value Restated |
|---|-----------------|------------------|-----------------------|---------------------|
| At 31 December 2024 | | | | |
| | | £000 | £000 | £000 |
| Loan and Advances to Banks | Level 1 | 1,440,372 | 1,440,372 | 1,440,372 |
| Loans and Advances to Customers - FVTPL | Level 3 | | 260 | 260 |
| Loans and Advances to Customers – at amortised cost | Level 3 | 3,581,543 | 3,581,543 | 3,748,059 |
| Investment Securities | Level 1 | 209,446 | 209,446 | 208,480 |
| Investment Securities | Level 2 | 10,534 | 10,534 | 10,485 |
| Derivative Financial Instruments | Level 2 | - | 51,588 | 51,588 |
| Other Assets | Level 3 | 66,962 | 66,962 | 66,962 |
| Total Financial Assets | | 5,308,857 | 5,360,705 | 5,526,206 |

| | | | | |
|------------------------------------|---------|------------------|------------------|------------------|
| Customer Deposits | Level 3 | 4,526,003 | 4,526,003 | 4,305,487 |
| Central Bank Facilities | Level 3 | 295,000 | 295,000 | 296,231 |
| Subordinated Liabilities | Level 2 | 56,085 | 56,085 | 56,085 |
| Derivative Financial Instruments | Level 2 | - | 22,569 | 22,569 |
| Lease Liability | Level 3 | 3,462 | 3,462 | 3,462 |
| Other Liabilities | Level 3 | 110,982 | 110,982 | 110,982 |
| Total Financial Liabilities | | 4,991,532 | 5,014,101 | 4,794,816 |

| Bank | Hierarchy level | Amortised Cost | Total carrying amount | Fair Value |
|---|-----------------|------------------|-----------------------|------------------|
| At 31 December 2025 | | | | |
| | | £000 | £000 | £000 |
| Loan and Advances to Banks | Level 1 | 679,085 | 679,085 | 679,085 |
| Loans and Advances to Customers – at amortised cost | Level 3 | 4,540,376 | 4,540,376 | 4,742,803 |
| Investment Securities | Level 1 | 693,673 | 693,673 | 694,158 |
| Derivative Financial Instruments | Level 2 | - | 13,326 | 13,326 |
| Other Assets | Level 3 | 160,613 | 160,613 | 160,613 |
| Total Financial Assets | | 6,073,747 | 6,087,073 | 6,289,985 |

| | | | | |
|------------------------------------|---------|------------------|------------------|------------------|
| Customer Deposits | Level 3 | 5,232,516 | 5,232,516 | 5,051,508 |
| Central Bank Facilities | Level 3 | 290,000 | 290,000 | 290,866 |
| Subordinated Liabilities | Level 2 | 81,668 | 81,668 | 81,668 |
| Derivative Financial Instruments | Level 2 | - | 18,715 | 18,715 |
| Lease Liability | Level 3 | 2,900 | 2,900 | 2,900 |
| Other Liabilities | Level 3 | 63,564 | 63,564 | 63,564 |
| Total Financial Liabilities | | 5,670,648 | 5,689,363 | 5,509,221 |

29. Fair value of financial instruments (continued)

| Bank | Hierarchy level | Amortised Cost | Total carrying amount | Fair Value Restated |
|---|-----------------|------------------|-----------------------|---------------------|
| At 31 December 2024 | | | | |
| | | £000 | £000 | £000 |
| Loan and Advances to Banks | Level 1 | 1,435,307 | 1,435,307 | 1,435,307 |
| Loans and Advances to Customers - FVTPL | Level 3 | - | 260 | 260 |
| Loans and Advances to Customers – at amortised cost | Level 3 | 3,391,908 | 3,391,908 | 3,550,978 |
| Investment Securities | Level 1 | 209,446 | 209,446 | 208,480 |
| Investment Securities | Level 2 | 10,534 | 10,534 | 10,485 |
| Derivative Financial Instruments | Level 2 | - | 51,588 | 51,588 |
| Other Assets | Level 3 | 224,312 | 224,312 | 224,312 |
| Total Financial Assets | | 5,271,507 | 5,323,355 | 5,481,410 |

| | | | | |
|------------------------------------|---------|------------------|------------------|------------------|
| Customer Deposits | Level 3 | 4,526,003 | 4,526,003 | 4,305,487 |
| Central Bank Facilities | Level 3 | 295,000 | 295,000 | 296,231 |
| Subordinated Liabilities | Level 2 | 56,085 | 56,085 | 56,085 |
| Derivative Financial Instruments | Level 2 | - | 22,569 | 22,569 |
| Lease Liability | Level 3 | 3,409 | 3,409 | 3,409 |
| Other Liabilities | Level 3 | 109,904 | 109,904 | 109,904 |
| Total Financial Liabilities | | 4,990,401 | 5,012,970 | 4,793,685 |

The fair value of customer deposits in the prior year has been restated to include £590m worth of customer deposits previously excluded from the fair value assessment. The fair value of central bank facilities, along with loans and advances to customers, have been restated to correct for an understatement in FV for 2024, which was driven by incorrect application of assumptions in modelling.

Level 3 fair value measurements

(i) Reconciliation

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

Loans and advances to customers

Group and Bank

| | 2025 £'000 | 2024 £'000 |
|---|---------------|---------------|
| Balance at 1 January | 260 | 3,305 |
| Total gains or (losses): | | |
| <i>In profit or (loss)</i> | (54) | 247 |
| <i>Drawdowns on existing facilities</i> | | - |
| <i>Repayments</i> | (206) | (3,292) |
| Balance at 31 December | - | 260 |

There were no transfers in or out of level 3.

29. Fair value of financial instruments (continued)*(ii) Unobservable inputs used in measuring fair value*

The only financial instruments where unobservable inputs have been used are loans and advances measured at FVTPL. These comprise certain property development loans within the Development Finance business line that do not meet the SPPI criteria.

The valuation technique used for these loans is discounted cash flow and the unobservable inputs relate to the timing and amount of expected cash flows.

Unobservable inputs include timing and amount of expected cash flows from the sale of completed properties. The final cashflow of the remaining exposure was received in 2025 and the carrying value of loans and advances held at FVTPL was £Nil at 31 December 2025.

30. Allowance for credit impairment losses on financial assets at amortised cost*(i) IFRS 9*

The following tables detail the gross carrying value of loans to customers by ECL stage.

As at 31 December 2025

| Group | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|--|------------------|----------------|----------------|----------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Development Finance | 449,671 | 97,559 | 59,580 | - | 606,810 |
| Specialist Mortgages | 2,833,201 | 292,245 | 99,786 | - | 3,225,232 |
| Asset and Wholesale Finance | 645,072 | 84,180 | 8,817 | - | 738,069 |
| Commercial and Retail | 83,787 | 15,772 | 6,118 | - | 105,677 |
| Total Exposure | 4,011,731 | 489,756 | 174,301 | - | 4,675,788 |
| Off Balance Sheet: | | | | | |
| Loan Commitments | 723,528 | - | - | - | 723,528 |
| Total Gross Exposure | 4,735,259 | 489,756 | 174,301 | - | 5,399,316 |
| Less: FV losses from portfolio hedging | 9,872 | 1,405 | 213 | - | 11,490 |
| Less: allowance for impairment | (5,057) | (4,664) | (15,309) | - | (25,030) |
| Total Net Exposure | 4,740,074 | 486,497 | 159,205 | - | 5,385,776 |

30. Allowance for credit impairment losses on financial assets at amortised cost
(continued)**As at 31 December 2024**

| Group | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|--|------------------|----------------|----------------|------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Development Finance | 300,768 | 49,149 | 18,477 | - | 368,394 |
| Specialist Mortgages | 2,125,938 | 240,087 | 60,178 | - | 2,426,203 |
| Asset and Wholesale Finance | 571,021 | 101,350 | 14,898 | - | 687,269 |
| Commercial and Retail | 127,538 | 15,290 | 9,622 | 1 | 152,451 |
| Total Exposure | 3,125,264 | 405,876 | 103,175 | 1 | 3,634,317 |
| Off Balance Sheet: | | | | | |
| Loan Commitments | 610,568 | - | - | - | 610,568 |
| Total Gross Exposure | 3,735,832 | 405,876 | 103,175 | 1 | 4,244,885 |
| Less: FV losses from portfolio hedging | (22,027) | (2,830) | - | - | (24,857) |
| Less: allowance for impairment | (5,280) | (5,451) | (17,314) | 128 | (27,917) |
| Total Net Exposure | 3,708,525 | 397,595 | 85,861 | 129 | 4,192,111 |

As at 31 December 2025

| Bank | Stage 1 | Stage 2 | Stage 3 | Total |
|--|------------------|----------------|----------------|------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Development Finance | 449,671 | 97,559 | 59,580 | 606,810 |
| Specialist Mortgages | 2,833,201 | 292,245 | 99,786 | 3,225,232 |
| Asset and Wholesale Finance | 628,490 | 81,697 | 8,126 | 718,313 |
| Total Gross Exposure | 3,911,362 | 471,501 | 167,492 | 4,550,355 |
| Off Balance Sheet: | | | | |
| Loan Commitments | 723,528 | - | - | 723,528 |
| Total Gross Exposure | 4,634,890 | 471,501 | 167,492 | 5,273,883 |
| Less: FV losses from portfolio hedging | 9,872 | 1,405 | 213 | 11,490 |
| Less: allowance for impairment | (4,573) | (3,429) | (13,467) | (21,469) |
| Total Net Exposure | 4,640,189 | 469,477 | 154,238 | 5,263,904 |

As at 31 December 2024

| Bank | Stage 1 | Stage 2 | Stage 3 | Total |
|--|------------------|----------------|---------------|------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Development Finance | 300,768 | 49,149 | 18,477 | 368,394 |
| Specialist Mortgages | 2,125,938 | 240,087 | 60,178 | 2,426,203 |
| Asset and Wholesale Finance | 532,039 | 98,832 | 13,084 | 643,955 |
| Total Exposure | 2,958,745 | 388,068 | 91,739 | 3,438,552 |
| Off Balance Sheet: | | | | |
| Loan Commitments | 610,568 | - | - | 610,568 |
| Total Gross Exposure | 3,569,313 | 388,068 | 91,739 | 4,049,120 |
| Less: FV losses from portfolio hedging | (22,027) | (2,830) | - | (24,857) |
| Less: allowance for impairment | (4,436) | (3,998) | (13,353) | (21,787) |
| Total Net Exposure | 3,542,850 | 381,240 | 78,386 | 4,002,476 |

Movements in the gross carrying amount of the Group's loans and advances to customers at amortised cost during the year that contributed to the changes in the associated loss allowance during the year are shown in the following tables. The tables are compiled by comparing the position at the end of the year to that at the beginning of the year. Transfers between stages are deemed to have taken place at the start of the year, with all other movements shown in the stage in which the asset is held at the end of the year.

Gross Carrying Value

| Group | 2025 | | | |
|-------------------------------|----------------|---------------|---------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Development Finance | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 300,768 | 49,149 | 18,477 | 368,394 |
| Transfer to Stage 1 | 5,124 | (5,124) | - | - |
| Transfer to Stage 2 | (41,629) | 41,629 | - | - |
| Transfer to Stage 3 | (9,583) | (13,751) | 23,334 | - |
| Drawdowns/(Repayments) | 194,991 | 25,656 | 19,370 | 240,017 |
| Write offs | - | - | (1,601) | (1,601) |
| Balance at 31 December | 449,671 | 97,559 | 59,580 | 606,810 |

| Group | 2025 | | | |
|-------------------------------|------------------|----------------|---------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Specialist Mortgages | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 2,125,938 | 240,087 | 60,178 | 2,426,203 |
| Transfer to Stage 1 | 91,490 | (78,189) | (13,301) | - |
| Transfer to Stage 2 | (139,264) | 147,310 | (8,046) | - |
| Transfer to Stage 3 | (52,338) | (30,458) | 82,796 | - |
| Drawdowns/(Repayments) | 807,375 | 13,495 | (19,268) | 801,602 |
| Write offs | - | - | (2,573) | (2,573) |
| Balance at 31 December | 2,833,201 | 292,245 | 99,786 | 3,225,232 |

30. Allowance for credit impairment losses on financial assets at amortised cost
(continued)

Gross Carrying Value

| Group | 2025 | | | | |
|-------------------------------|----------------|----------------|---------------|----------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| Asset and Wholesale Finance | £'000 | £'000 | £'000 | £000 | £'000 |
| Balance at 1 January | 571,021 | 101,350 | 14,898 | - | 687,269 |
| Transfer to Stage 1 | 52,191 | (46,624) | (5,567) | - | - |
| Transfer to Stage 2 | (69,994) | 70,033 | (39) | - | - |
| Transfer to Stage 3 | (3,699) | (3,960) | 7,659 | - | - |
| Drawdowns/(Repayments) | 95,553 | (36,619) | (1,638) | - | 57,296 |
| Write Offs ¹ | - | - | (6,496) | - | (6,496) |
| Balance at 31 December | 645,072 | 84,180 | 8,817 | - | 738,069 |

| Group | 2025 | | | | |
|-------------------------------|----------------|---------------|--------------|----------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| Commercial and Retail Finance | £'000 | £'000 | £'000 | £000 | £'000 |
| Balance at 1 January | 127,538 | 15,290 | 9,622 | 1 | 152,451 |
| Transfer to Stage 1 | 3,419 | (3,419) | - | - | - |
| Transfer to Stage 2 | (10,059) | 11,170 | (1,111) | - | - |
| Transfer to Stage 3 | (585) | (27) | 612 | - | - |
| Drawdowns/(Repayments) | (36,526) | (7,242) | (2,876) | (204) | (46,848) |
| Write Offs ¹ | - | - | (129) | 203 | 74 |
| Balance at 31 December | 83,787 | 15,772 | 6,118 | - | 105,677 |

| Group | 2025 | | | | |
|-------------------------------|------------------|----------------|----------------|----------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| Total | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 3,125,265 | 405,876 | 103,175 | 1 | 3,634,317 |
| Transfer to Stage 1 | 152,224 | (133,356) | (18,868) | - | - |
| Transfer to Stage 2 | (260,946) | 270,142 | (9,196) | - | - |
| Transfer to Stage 3 | (66,205) | (48,196) | 114,401 | - | - |
| Drawdowns/(Repayments) | 1,061,393 | (4,710) | (4,412) | (204) | 1,052,067 |
| Write Offs ¹ | - | - | (10,799) | 203 | (10,596) |
| Balance at 31 December | 4,011,731 | 489,756 | 174,301 | - | 4,675,788 |

1. Write offs on POCI represent the write offs of exposures net of ECL allowances at acquisition and recoveries of outstanding balances in excess of acquired net exposures.

30. Allowance for credit impairment losses on financial assets at amortised cost (continued)

| Gross Carrying Value Group | 2024 | | | Total |
|-------------------------------|----------------|---------------|---------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| Development Finance | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 181,916 | 66,172 | 24,070 | 272,158 |
| Transfer to Stage 1 | 10,291 | (10,291) | - | - |
| Transfer to Stage 2 | (22,216) | 22,216 | - | - |
| Transfer to Stage 3 | (9,874) | (1,098) | 10,972 | - |
| Drawdowns/(Repayments) | 140,651 | (27,850) | (14,741) | 98,060 |
| Write offs | - | - | (1,824) | (1,824) |
| Balance at 31 December | 300,768 | 49,149 | 18,477 | 368,394 |

| Group | 2024 | | | Total |
|-------------------------------|------------------|----------------|---------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| Specialist Mortgages | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 1,827,727 | 286,075 | 34,494 | 2,148,296 |
| Transfer to Stage 1 | 103,022 | (100,470) | (2,552) | - |
| Transfer to Stage 2 | (101,722) | 102,393 | (671) | - |
| Transfer to Stage 3 | (24,765) | (27,636) | 52,401 | - |
| Drawdowns/(Repayments) | 321,676 | (20,275) | (22,269) | 279,132 |
| Write offs | - | - | (1,225) | (1,225) |
| Balance at 31 December | 2,125,938 | 240,087 | 60,178 | 2,426,203 |

30. Allowance for credit impairment losses on financial assets at amortised cost (continued)

| Gross Carrying Value Group | 2024 | | | | Total |
|-------------------------------|----------------|----------------|---------------|-----------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | POCI | |
| Asset and Wholesale Finance | £'000 | £'000 | £'000 | £000 | £'000 |
| Balance at 1 January | 569,797 | 102,742 | 14,225 | 46 | 686,810 |
| Transfer to Stage 1 | 48,574 | (44,549) | (4,025) | - | - |
| Transfer to Stage 2 | (57,815) | 59,836 | (2,021) | - | - |
| Transfer to Stage 3 | (6,356) | (8,444) | 14,800 | - | - |
| Drawdowns/(Repayments) | 16,821 | (8,235) | (983) | (241) | 7,362 |
| Write Offs ¹ | - | - | (7,098) | 195 | (6,903) |
| Balance at 31 December | 571,021 | 101,350 | 14,898 | - | 687,269 |

| Group | 2024 | | | | Total |
|-------------------------------|----------------|---------------|--------------|-----------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | POCI | |
| Commercial and Retail Finance | £'000 | £'000 | £'000 | £000 | £'000 |
| Balance at 1 January | 195,710 | 13,434 | 6,108 | 13 | 215,265 |
| Transfer to Stage 1 | 3,493 | (3,493) | - | - | - |
| Transfer to Stage 2 | (10,089) | 10,422 | (333) | - | - |
| Transfer to Stage 3 | (3,416) | (4,249) | 7,665 | - | - |
| Drawdowns/(Repayments) | (58,160) | (824) | (3,319) | 115 | (62,188) |
| Write Offs ¹ | - | - | (499) | (127) | (626) |
| Balance at 31 December | 127,538 | 15,290 | 9,622 | 1 | 152,451 |

| Group | 2024 | | | | Total |
|-------------------------------|------------------|----------------|----------------|-----------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | POCI | |
| Total | £'000 | £'000 | £'000 | £000 | £'000 |
| Balance at 1 January | 2,775,150 | 468,423 | 78,897 | 59 | 3,322,529 |
| Transfer to Stage 1 | 165,380 | (158,803) | (6,577) | - | - |
| Transfer to Stage 2 | (191,842) | 194,867 | (3,025) | - | - |
| Transfer to Stage 3 | (44,411) | (41,427) | 85,838 | - | - |
| Drawdowns/(Repayments) | 420,988 | (57,184) | (41,312) | (126) | 322,366 |
| Write Offs ¹ | - | - | (10,646) | 68 | (10,578) |
| Balance at 31 December | 3,125,264 | 405,876 | 103,175 | 1 | 3,634,317 |

1. Write offs on POCI represent the write offs of exposures net of ECL allowances at acquisition and recoveries of outstanding balances in excess of acquired net exposures.

30. Allowance for credit impairment losses on financial assets at amortised cost (continued)

| Gross Carrying Value Bank | 2025 | | | Total |
|-------------------------------|----------------|---------------|---------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| Development Finance | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 300,768 | 49,149 | 18,477 | 368,394 |
| Transfer to Stage 1 | 5,124 | (5,124) | - | - |
| Transfer to Stage 2 | (41,629) | 41,629 | - | - |
| Transfer to Stage 3 | (9,583) | (13,751) | 23,334 | - |
| Drawdowns/(Repayments) | 194,991 | 25,656 | 19,370 | 240,017 |
| Write offs | - | - | (1,601) | (1,601) |
| Balance at 31 December | 449,671 | 97,559 | 59,580 | 606,810 |

| Bank Specialist Mortgages | Stage 1 | Stage 2 | Stage 3 | Total |
|-------------------------------|------------------|----------------|---------------|------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 2,125,938 | 240,087 | 60,178 | 2,426,003 |
| Transfer to Stage 1 | 91,490 | (78,189) | (13,301) | - |
| Transfer to Stage 2 | (139,264) | 147,310 | (8,046) | - |
| Transfer to Stage 3 | (52,338) | (30,458) | 82,796 | - |
| Drawdowns/(Repayments) | 807,375 | 13,495 | (19,268) | 801,602 |
| Write offs | - | - | (2,573) | (2,573) |
| Balance at 31 December | 2,833,201 | 292,245 | 99,786 | 3,225,232 |

| Bank Asset and Wholesale Finance | Stage 1 | Stage 2 | Stage 3 | Total |
|-------------------------------------|----------------|---------------|---------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 532,039 | 98,832 | 13,084 | 643,955 |
| Transfer to Stage 1 | 51,561 | (45,994) | (5,567) | - |
| Transfer to Stage 2 | (66,344) | 66,383 | (39) | - |
| Transfer to Stage 3 | (3,598) | (3,861) | 7,459 | - |
| Drawdowns/(Repayments) | 114,832 | (33,663) | (920) | 80,249 |
| Write Offs | - | - | (5,891) | (5,891) |
| Balance at 31 December | 628,490 | 81,697 | 8,126 | 718,313 |

| Bank Total | Stage 1 | Stage 2 | Stage 3 | Total |
|-------------------------------|------------------|----------------|----------------|------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 2,958,745 | 388,068 | 91,739 | 3,438,552 |
| Transfer to Stage 1 | 148,175 | (129,307) | (18,868) | - |
| Transfer to Stage 2 | (247,237) | 255,322 | (8,085) | - |
| Transfer to Stage 3 | (65,519) | (48,070) | 113,589 | - |
| Drawdowns/(Repayments) | 1,117,198 | 5,488 | (818) | 1,121,868 |
| Write Offs | - | - | (10,065) | (10,065) |
| Balance at 31 December | 3,911,362 | 471,501 | 167,492 | 4,550,355 |

30. Allowance for credit impairment losses on financial assets at amortised cost (continued)

| Gross Carrying Value Bank | 2024 | | | Total |
|-------------------------------|----------------|---------------|---------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| Development Finance | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 181,916 | 66,172 | 24,070 | 272,158 |
| Transfer to Stage 1 | 10,291 | (10,291) | - | - |
| Transfer to Stage 2 | (22,216) | 22,216 | - | - |
| Transfer to Stage 3 | (9,874) | (1,098) | 10,972 | - |
| Drawdowns/(Repayments) | 140,651 | (27,850) | (14,741) | 98,060 |
| Write offs | - | - | (1,824) | (1,824) |
| Balance at 31 December | 300,768 | 49,149 | 18,477 | 368,394 |

| Bank Specialist Mortgages | Stage 1 | Stage 2 | Stage 3 | Total |
|-------------------------------|------------------|----------------|---------------|------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 1,827,727 | 286,075 | 34,494 | 2,148,296 |
| Transfer to Stage 1 | 103,022 | (100,470) | (2,552) | - |
| Transfer to Stage 2 | (101,722) | 102,393 | (671) | - |
| Transfer to Stage 3 | (24,765) | (27,636) | 52,401 | - |
| Drawdowns/(Repayments) | 321,676 | (20,275) | (22,269) | 279,132 |
| Write offs | - | - | (1,225) | (1,225) |
| Balance at 31 December | 2,125,938 | 240,087 | 60,178 | 2,426,203 |

| Bank Asset and Wholesale Finance | Stage 1 | Stage 2 | Stage 3 | Total |
|-------------------------------------|----------------|---------------|---------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 503,036 | 91,686 | 11,635 | 606,357 |
| Transfer to Stage 1 | 42,805 | (38,780) | (4,025) | - |
| Transfer to Stage 2 | (55,170) | 56,874 | (1,704) | - |
| Transfer to Stage 3 | (6,192) | (6,903) | 13,095 | - |
| Drawdowns/(Repayments) | 47,560 | (4,045) | 617 | 44,132 |
| Write Offs | - | (6,534) | (6,534) | - |
| Balance at 31 December | 532,039 | 98,832 | 13,084 | 643,955 |

| Bank Total | Stage 1 | Stage 2 | Stage 3 | Total |
|-------------------------------|------------------|----------------|---------------|------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 2,512,679 | 443,933 | 70,199 | 3,026,811 |
| Transfer to Stage 1 | 156,118 | (149,541) | (6,577) | - |
| Transfer to Stage 2 | (179,108) | 181,483 | (2,375) | - |
| Transfer to Stage 3 | (40,831) | (35,637) | 76,468 | - |
| Drawdowns/(Repayments) | 509,887 | (52,170) | (36,393) | 421,324 |
| Write Offs | - | - | (9,583) | (9,583) |
| Balance at 31 December | 2,958,747 | 388,068 | 91,739 | 3,438,552 |

30. Allowance for credit impairment losses on financial assets at amortised cost (continued)

| Loss allowance Group | 2025 | | | |
|---|------------------|------------------|------------------|----------------|
| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
| Development Finance | | | | |
| Balance at 1 January | 1,477 | 669 | 1,759 | 3,905 |
| Transfer to Stage 1 | 28 | (28) | - | - |
| Transfer to Stage 2 | (262) | 262 | - | - |
| Transfer to Stage 3 | (174) | (293) | 467 | - |
| Net transfers | (408) | (59) | 467 | - |
| Other changes in credit parameters & forward-looking information ¹ | (189) | 538 | 2,656 | 3,005 |
| Additions and repayments ² | 590 | (174) | (854) | (438) |
| Charge to the Statement of Profit and Loss | 401 | 364 | 1,802 | 2,567 |
| Write offs | - | - | (1,601) | (1,601) |
| Balance at 31 December | 1,470 | 974 | 2,427 | 4,871 |
| Group | Stage 1 | Stage 2 | Stage 3 | Total |
| Specialist Mortgages | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 1,597 | 2,198 | 3,694 | 7,489 |
| Transfer to Stage 1 | 324 | (324) | 0 | - |
| Transfer to Stage 2 | (109) | 352 | (243) | - |
| Transfer to Stage 3 | (45) | (640) | 685 | - |
| Net transfers | 170 | (612) | 442 | - |
| Other changes in credit parameters & forward-looking information ¹ | (274) | 454 | 6,353 | 6,533 |
| Additions and repayments ² | 1,248 | (190) | (957) | 101 |
| Charge to the Statement of Profit and Loss | 974 | 264 | 5,396 | 6,634 |
| Write offs | - | - | (2,573) | (2,573) |
| Balance at 31 December | 2,741 | 1,850 | 6,959 | 11,550 |

30. Allowance for credit impairment losses on financial assets at amortised cost (continued)

| Loss allowance Group | 2025 | | | | |
|---|------------------|------------------|------------------|---------------|-----------------|
| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | POCI £'000 | Total £'000 |
| Asset and Wholesale Finance | | | | | |
| Balance at 1 January | 1,556 | 1,225 | 8,759 | - | 11,540 |
| Transfer to Stage 1 | 4,205 | (441) | (3,764) | - | - |
| Transfer to Stage 2 | (372) | 396 | (24) | - | - |
| Transfer to Stage 3 | (36) | (137) | 173 | - | - |
| Net transfers | 3,797 | (182) | (3,615) | - | - |
| Other changes in credit parameters & forward-looking information ¹ | (4,703) | (79) | 7,434 | - | 2,652 |
| Additions and repayments ² | (214) | (112) | (1,714) | - | (2,040) |
| Charge/(credit) to the Statement of Profit and Loss | (4,916) | (191) | 5,720 | - | 612 |
| Write offs³ | - | - | (6,496) | - | (6,496) |
| Balance at 31 December | 436 | 852 | 4,368 | - | 5,656 |
| Group | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| Commercial and Retail Finance | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 650 | 1,359 | 3,102 | (128) | 4,983 |
| Transfer to Stage 1 | 50 | (50) | - | - | - |
| Transfer to Stage 2 | (48) | 293 | (245) | - | - |
| Transfer to Stage 3 | 141 | 581 | (722) | - | - |
| Net transfers | 143 | 824 | (967) | - | - |
| Other changes in credit parameters & forward-looking information ¹ | (91) | (51) | (376) | - | (518) |
| Additions and repayments ² | (292) | (1,144) | (75) | (75) | (1,586) |
| Charge/(credit) to the Statement of Profit and Loss | (384) | (1,195) | (451) | (75) | (2,105) |
| Write offs³ | - | - | (129) | 203 | 74 |
| Balance at 31 December | 410 | 988 | 1,555 | - | 2,953 |
| Group | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| Total | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 5,280 | 5,451 | 17,314 | (128) | 27,917 |
| Transfer to Stage 1 | 4,607 | (843) | (3,764) | - | - |
| Transfer to Stage 2 | (791) | 1,303 | (512) | - | - |
| Transfer to Stage 3 | (114) | (489) | 603 | - | - |
| Net transfers | 3,702 | (29) | (3,673) | - | - |
| Other changes in credit parameters & forward-looking information ¹ | (5,257) | 862 | 16,067 | - | 11,672 |
| Additions and repayments ² | 1,332 | (1,620) | (3,600) | (75) | (3,963) |
| Charge/(credit) to the Statement of Profit and Loss | (3,925) | (758) | 12,467 | (75) | 7,709 |
| Write offs³ | - | - | (10,799) | 203 | (10,596) |
| Balance at 31 December | 5,057 | 4,664 | 15,309 | - | 25,030 |

1. Changes in loss allowance as a result of movements due to changes in: credit risk parameters; adjustments to the models used for expected credit loss calculations; and, the forward-looking economic scenarios.

2. Expected loss allowances recognised on origination of new loans. Repayments relate to the reduction of loss allowances as a result of repayments of outstanding balances.

3. Write offs on POCI represents the write off of acquired net exposures after loss allowances and the release of post-acquisition movements in loss allowance.

30. Allowance for credit impairment losses on financial assets at amortised cost (continued)

| Loss allowance Group | 2024 | | | Total £'000 |
|---|------------------|------------------|------------------|----------------|
| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | |
| Development Finance | | | | |
| Balance at 1 January | 1,137 | 862 | 2,374 | 4,373 |
| Transfer to Stage 1 | 151 | (151) | - | - |
| Transfer to Stage 2 | (139) | 139 | - | - |
| Transfer to Stage 3 | (80) | (21) | 101 | - |
| Net transfers | (68) | (33) | 101 | - |
| Other changes in credit parameters & forward-looking information ¹ | 39 | 283 | 1,378 | 1,700 |
| Additions and repayments ² | 369 | (443) | (270) | (344) |
| Charge/(credit) to the Statement of Profit and Loss | 408 | (160) | 1,108 | 1,356 |
| Write offs | - | - | (1,824) | (1,824) |
| Balance at 31 December | 1,477 | 669 | 1,759 | 3,905 |
| Specialist Mortgages | | | | |
| Balance at 1 January | 3,091 | 3,486 | 2,900 | 9,477 |
| Transfer to Stage 1 | 1,212 | (1,206) | (6) | - |
| Transfer to Stage 2 | (165) | 165 | - | - |
| Transfer to Stage 3 | (128) | (828) | 956 | - |
| Net transfers | 919 | (1,869) | 950 | - |
| Other changes in credit parameters & forward-looking information ¹ | (2,674) | 547 | 2,081 | (46) |
| Additions and repayments ² | 261 | 34 | (1,012) | (717) |
| Charge/(credit) to the Statement of Profit and Loss | (2,413) | 581 | 1,069 | (763) |
| Write offs | - | - | (1,225) | (1,225) |
| Balance at 31 December | 1,597 | 2,198 | 3,694 | 7,489 |

30. Allowance for credit impairment losses on financial assets at amortised cost (continued)

| Loss allowance Group | 2024 | | | | Total £'000 |
|---|------------------|------------------|------------------|---------------|-----------------|
| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | POCI £'000 | |
| Asset and Wholesale Finance | | | | | |
| Balance at 1 January | 1,525 | 1,990 | 4,596 | (139) | 7,972 |
| Transfer to Stage 1 | 2,785 | (1,112) | (1,673) | - | - |
| Transfer to Stage 2 | (230) | 493 | (263) | - | - |
| Transfer to Stage 3 | (51) | (220) | 271 | - | - |
| Net transfers | 2,504 | (839) | (1,665) | - | - |
| Other changes in credit parameters & forward-looking information ¹ | (3,025) | 3 | 12,282 | 292 | 9,552 |
| Additions and repayments ² | 552 | 71 | 643 | (348) | 918 |
| Charge/(credit) to the Statement of Profit and Loss | (2,473) | 74 | 12,925 | (56) | 10,470 |
| Write offs³ | - | - | (7,097) | 195 | (6,902) |
| Balance at 31 December | 1,556 | 1,225 | 8,759 | - | 11,540 |
| Commercial and Retail Finance | | | | | |
| Balance at 1 January | 1,108 | 1,123 | 1,721 | (190) | 3,762 |
| Transfer to Stage 1 | 86 | (86) | - | - | - |
| Transfer to Stage 2 | (53) | 163 | (110) | - | - |
| Transfer to Stage 3 | 174 | (600) | 426 | - | - |
| Net transfers | 207 | (523) | 316 | - | - |
| Other changes in credit parameters & forward-looking information ¹ | (204) | 934 | 1,372 | (43) | 2,059 |
| Additions and repayments ² | (461) | (175) | 192 | 232 | (212) |
| Charge/(credit) to the Statement of Profit and Loss | (665) | 759 | 1,564 | 189 | 1,847 |
| Write offs³ | - | - | (499) | (127) | (626) |
| Balance at 31 December | 650 | 1,359 | 3,102 | (128) | 4,983 |
| Group Total | | | | | |
| Balance at 1 January | 6,861 | 7,461 | 11,591 | (329) | 25,584 |
| Transfer to Stage 1 | 4,234 | (2,555) | (1,679) | - | - |
| Transfer to Stage 2 | (587) | 960 | (373) | - | - |
| Transfer to Stage 3 | (85) | (1,669) | 1,754 | - | - |
| Net transfers | 3,562 | (3,264) | (298) | - | - |
| Other changes in credit parameters & forward-looking information ¹ | (5,864) | 1,767 | 17,113 | 249 | 13,265 |
| Additions and repayments ² | 721 | (513) | (447) | (116) | (355) |
| Charge/(credit) to the Statement of Profit and Loss | (5,143) | 1,254 | 16,666 | 133 | 12,910 |
| Write offs³ | - | - | (10,645) | 68 | (10,577) |
| Balance at 31 December | 5,280 | 5,451 | 17,314 | (128) | 27,917 |

30. Allowance for credit impairment losses on financial assets at amortised cost (continued)

| Loss allowance | 2025 | | | |
|---|----------------|----------------|----------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Bank | £'000 | £'000 | £'000 | £'000 |
| Development Finance | | | | |
| Balance at 1 January | 1,477 | 669 | 1,759 | 3,905 |
| Transfer to Stage 1 | 28 | (28) | - | - |
| Transfer to Stage 2 | (262) | 262 | - | - |
| Transfer to Stage 3 | (174) | (293) | 467 | - |
| Net transfers | (408) | (59) | 467 | - |
| Other changes in credit parameters & forward-looking information ¹ | (189) | 538 | 2,656 | 3,005 |
| Additions and repayments ² | 590 | (174) | (854) | (438) |
| Charge to the Statement of Profit and Loss | 401 | 364 | 1,802 | 2,567 |
| Write offs | - | - | (1,601) | (1,601) |
| Balance at 31 December | 1,470 | 974 | 2,427 | 4,871 |
| Bank | Stage 1 | Stage 2 | Stage 3 | Total |
| Specialist Mortgages | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 1,597 | 2,198 | 3,694 | 7,489 |
| Transfer to Stage 1 | 324 | (324) | - | - |
| Transfer to Stage 2 | (109) | 352 | (243) | - |
| Transfer to Stage 3 | (45) | (640) | 685 | - |
| Net transfers | 170 | (612) | 442 | - |
| Other changes in credit parameters & forward-looking information ¹ | (274) | 454 | 6,353 | 6,533 |
| Additions and repayments ² | 1,248 | (190) | (957) | 101 |
| Charge to the Statement of Profit and Loss | 974 | 264 | 5,396 | 6,634 |
| Write offs | - | - | (2,573) | (2,573) |
| Balance at 31 December | 2,741 | 1,850 | 6,959 | 11,550 |

1. Changes in loss allowance as a result of movements due to changes in: credit risk parameters; adjustments to the models used for expected credit loss calculations; and, the forward-looking economic scenarios.

2. Expected loss allowances recognised on origination of new loans. Repayments relate to the reduction of loss allowances as a result of repayments of outstanding balances.

3. Write offs on POCI represents the write off of acquired net exposures after loss allowances and the release of post-acquisition movements in loss allowance.

30. Allowance for credit impairment losses on financial assets at amortised cost (continued)

| Loss allowance | 2025 | | | |
|---|----------------|----------------|-----------------|-----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Bank | £'000 | £'000 | £'000 | £'000 |
| Asset and Wholesale Finance | | | | |
| Balance at 1 January | 1,362 | 1,131 | 7,900 | 10,393 |
| Transfer to Stage 1 | 4,194 | (430) | (3,764) | - |
| Transfer to Stage 2 | (361) | 385 | (24) | - |
| Transfer to Stage 3 | (38) | (158) | 196 | - |
| Net transfers | 3,795 | (203) | (3,592) | - |
| Other changes in credit parameters & forward-looking information ¹ | (4,610) | (263) | 7,723 | 2,850 |
| Additions and repayments ² | (185) | (60) | (2,059) | (2,304) |
| Charge/(credit) to the Statement of Profit and Loss | (4,795) | (323) | 5,664 | 546 |
| Write offs | - | - | (5,891) | (5,891) |
| Balance at 31 December | 362 | 605 | 4,081 | 5,048 |
| Bank | Stage 1 | Stage 2 | Stage 3 | Total |
| Total | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 4,436 | 3,998 | 13,353 | 21,787 |
| Transfer to Stage 1 | 4,546 | (782) | (3,764) | - |
| Transfer to Stage 2 | (732) | 999 | (267) | - |
| Transfer to Stage 3 | (257) | (1,091) | 1,348 | - |
| Net transfers | 3,557 | (874) | (2,683) | - |
| Other changes in credit parameters & forward-looking information ¹ | (5,073) | 729 | 16,732 | 12,388 |
| Additions and repayments ² | 1,653 | (424) | (3,870) | (2,641) |
| Charge/(credit) to the Statement of Profit and Loss | (3,420) | 305 | 12,861 | 9,746 |
| Write offs | - | - | (10,065) | (10,065) |
| Balance at 31 December | 4,573 | 3,429 | 13,467 | 21,469 |

1. Changes in loss allowance as a result of movements due to changes in: credit risk parameters; adjustments to the models used for expected credit loss calculations; and, the forward-looking economic scenarios.

2. Expected loss allowances recognised on origination of new loans. Repayments relate to the reduction of loss allowances as a result of repayments of outstanding balances.

30. Allowance for credit impairment losses on financial assets at amortised cost (continued)

| Loss allowance | 2024 | | | |
|---|----------------|----------------|----------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Bank | Stage 1 | Stage 2 | Stage 3 | Total |
| Development Finance | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 1,137 | 862 | 2,374 | 4,373 |
| Transfer to Stage 1 | 151 | (151) | - | - |
| Transfer to Stage 2 | (139) | 139 | - | - |
| Transfer to Stage 3 | (80) | (21) | 101 | - |
| Net transfers | (68) | (33) | 101 | - |
| Other changes in credit parameters & forward-looking information ¹ | 39 | 283 | 1,378 | 1,700 |
| Additions and repayments ² | 369 | (443) | (270) | (344) |
| Charge/(credit) to the Statement of Profit and Loss | 408 | (160) | 1,108 | 1,356 |
| Write offs | - | - | (1,824) | (1,824) |
| Balance at 31 December | 1,477 | 669 | 1,759 | 3,905 |
| Bank | Stage 1 | Stage 2 | Stage 3 | Total |
| Specialist Mortgages | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 3,091 | 3,486 | 2,900 | 9,477 |
| Transfer to Stage 1 | 1,212 | (1,206) | (6) | - |
| Transfer to Stage 2 | (165) | 165 | - | - |
| Transfer to Stage 3 | (128) | (828) | 956 | - |
| Net transfers | 919 | (1,869) | 950 | - |
| Other changes in credit parameters & forward-looking information ¹ | (2,674) | 547 | 2,081 | (46) |
| Additions and repayments ² | 261 | 34 | (1,012) | (717) |
| Charge/(credit) to the Statement of Profit and Loss | (2,413) | 581 | 1,069 | (763) |
| Write offs | - | - | (1,225) | (1,225) |
| Balance at 31 December | 1,597 | 2,198 | 3,694 | 7,489 |

1. Changes in loss allowance as a result of movements due to changes in: credit risk parameters; adjustments to the models used for expected credit loss calculations; and, the forward-looking economic scenarios.

2. Expected loss allowances recognised on origination of new loans. Repayments relate to the reduction of loss allowances as a result of repayments of outstanding balances.

30. Allowance for credit impairment losses on financial assets at amortised cost (continued)

| Loss allowance | 2024 | | | |
|---|----------------|----------------|----------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Bank | Stage 1 | Stage 2 | Stage 3 | Total |
| Asset and Wholesale Finance | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 1,079 | 1,690 | 3,804 | 6,573 |
| Transfer to Stage 1 | 2,696 | (1,023) | (1,673) | - |
| Transfer to Stage 2 | (207) | 445 | (238) | - |
| Transfer to Stage 3 | (52) | (169) | 221 | - |
| Net transfers | 2,437 | (747) | (1,690) | - |
| Other changes in credit parameters & forward-looking information ¹ | (2,755) | 27 | 11,645 | 8,917 |
| Additions and repayments ² | 601 | 161 | 603 | 1,365 |
| Charge/(credit) to the Statement of Profit and Loss | (2,154) | 188 | 12,248 | 10,282 |
| Write offs | - | - | (6,534) | (6,534) |
| Balance at 31 December | 1,362 | 1,131 | 7,828 | 10,321 |
| Bank | Stage 1 | Stage 2 | Stage 3 | Total |
| Total | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January | 5,307 | 6,038 | 9,078 | 20,423 |
| Transfer to Stage 1 | 4,059 | (2,380) | (1,679) | - |
| Transfer to Stage 2 | (511) | 749 | (238) | - |
| Transfer to Stage 3 | (260) | (1,018) | 1,278 | - |
| Net transfers | 3,288 | (2,649) | (639) | - |
| Other changes in credit parameters & forward-looking information ¹ | (5,390) | 857 | 15,104 | 10,571 |
| Additions and repayments ² | 1,231 | (248) | (679) | 304 |
| Charge/(credit) to the Statement of Profit and Loss | (4,159) | 609 | 14,425 | 10,875 |
| Write offs | - | - | (9,583) | (9,583) |
| Balance at 31 December | 4,436 | 3,998 | 13,281 | 21,715 |

Impairment losses on loans and advances to customers being recognised in the Statement of Comprehensive Income for the Group and the Bank comprise of the following balances:

| | Group | Group | Bank | Bank |
|---|--------------|---------------|--------------|--------------|
| | 2025 | 2024 | 2025 | 2024 |
| | £000 | £000 | £000 | £000 |
| Increase/(Decrease) in ECL | (2,888) | 2,334 | (319) | 1,364 |
| Write offs | 10,596 | 10,577 | 10,065 | 9,583 |
| Bad debt recoveries (Excluding POCI) | (1,287) | (1,684) | (765) | (1,242) |
| Impairments not reflected in ECL | 81 | 65 | 81 | 65 |
| Impairment losses on loans and advances to customers | 6,502 | 11,292 | 9,063 | 9,770 |

30. Allowance for credit impairment losses on financial assets at amortised cost (continued)

Post-Model Adjustments ("PMAs")

For year-end 2025, the Bank determined that a series of PMAs totalling a £1.3m reduction in ECLs (2024: £0.6m increase) are required across the Group's four key portfolios, which have been included in the respective loss allowance tables (pages 120-127). PMAs are subject to formal provisioning governance and are approved by the Model Governance Committee. Each PMA is reviewed quarterly in line with the release of new macro-economic forecasts for continued applicability.

- **Specialist Mortgages:** A PMA (£1.2m reduction) has been raised to address model changes required during the year end code freeze. These changes were: update to a newer credit bureau score version; change to HPI indexation approach to a regional level vs. district due to low sales volumes and update to the LGD Force Sale Discount model.
- **Asset Finance:** A PMA raised to address underprediction in the PD model has been decommissioned in 2025 (2024: £0.5m). A new PMA (£0.1m reduction) has been raised to address model changes required during model year end code freeze. These changes were: update to newer credit bureau score version and updates to model PD and LGD parameters.

A PMA has been applied to loans in this portfolio covered under the RLS (see note 7.21) reflecting the value of the guarantee provided by the British Business Bank and which results in a reduction in ECL of £0.1m (2024: £0.1m reduction).

- **Block Discounting:** A PMA of £0.02m (2024: £0.1m) has been applied to the block discounting portfolio following a detailed review of the underlying LGD model assumptions following a default event within the portfolio.

31. Financial risk

This note presents information about the Group's exposure to financial risks and the Group's management of capital. The main areas of financial risk to which the Group is exposed are:

- Credit risk.
- Liquidity risk.
- Market risk.
- Capital risk.

31.1 Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk appetite is set at Board level and is described and reported through a suite of metrics devised from a combination of accounting and credit portfolio performance measures, and includes the use of various credit risk rating systems to measure the credit risk of loans and advances to customers and banks at a counterparty level using three components: (i) the probability

31. Financial risk (continued)

of default by the counterparty on its contractual obligations; (ii) the exposure to the counterparty at default; and (iii) the likely loss ratio on the defaulted obligations, the loss given default. The Group uses a range of approaches to mitigate credit risk, including policies, obtaining collateral, using master netting agreements. The Group's credit risk exposure, which arises solely in the United Kingdom, is set out below.

(i) Maximum credit exposure

The maximum credit risk exposure in the event of other parties failing to perform their obligations is presented below. No account is taken of any collateral held and the maximum exposure to loss is considered to be the balance sheet carrying amount or, for non-derivative off-balance sheet transactions, their contractual nominal amounts.

The maximum exposure to credit risk for financial assets is set out below:

| | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|---|-----------------------|-----------------------|----------------------|----------------------|
| Loans and Advances to Banks & Investment Securities held at amortised cost | 681,393 | 1,440,372 | 679,085 | 1,435,307 |
| Loans and Advances to Customers at amortised cost | 4,675,788 | 3,634,317 | 4,550,355 | 3,438,552 |
| Loans and Advances to customers at FVTPL (not subject to impairment requirements) | - | 260 | - | 260 |
| Other assets: intercompany balances (Note 35) | 137 | 190 | 114,798 | 163,005 |
| Total on-balance sheet exposure | 6,050,991 | 5,295,119 | 6,037,911 | 5,257,104 |
| Contractual loan commitments | 723,528 | 610,568 | 723,528 | 610,568 |
| Maximum credit exposure | 6,774,519 | 5,905,687 | 6,761,439 | 5,867,672 |

Contractual loan commitments represent agreements entered into but not advanced at 31 December 2025. However, undrawn loan facilities of £253m granted by Development Finance and £60m granted to Wholesale Finance are legally drafted such that they can be drawn on demand but are uncommitted and can be withdrawn without notice (2024: £240m Development Finance and £61m Wholesale Finance).

Quality of credit risk exposures

Internal rating scales

In assessing the credit quality of the loan portfolio, the Group uses an internal rating scale based on a customer's 12-month expected default probability.

| | Internal grading |
|----------------------|------------------|
| Excellent quality | 1 |
| Good quality | 2 |
| Satisfactory quality | 3 |
| Lower quality | 4 |
| Below standard | 5 |

31. Financial risk (continued)

The following table sets out the current stage status of the loan portfolio compared with the internal rating at origination.

| Group | | Stage 1 | Stage 2 | Stage 3 & POCI | 2025 Total |
|--------------------------------|-------------------|------------------|----------------|----------------|------------------|
| Internal Rating at Origination | 12 month PD range | £000 | £000 | £000 | £000 |
| 1 | 0.0006-0.0045 | 298,599 | 89,046 | 3,924 | 391,569 |
| 2 | 0.0045-0.0105 | 851,611 | 103,351 | 50,453 | 1,005,415 |
| 3 | 0.0105-0.0240 | 2,164,880 | 208,420 | 92,220 | 2,465,520 |
| 4 | 0.0240-0.0550 | 631,846 | 82,959 | 25,839 | 740,643 |
| 5 | >0.0550 | 64,796 | 5,980 | 1,866 | 72,641 |
| | | 4,011,731 | 489,756 | 174,301 | 4,675,788 |

| Group | | Stage 1 | Stage 2 | Stage 3 & POCI | 2024 Total |
|--------------------------------|-------------------|------------------|----------------|----------------|------------------|
| Internal Rating at Origination | 12 month PD range | £000 | £000 | £000 | £000 |
| 1 | 0.0006-0.0045 | 253,515 | 57,802 | 4,928 | 316,245 |
| 2 | 0.0045-0.0105 | 770,808 | 118,378 | 27,542 | 916,728 |
| 3 | 0.0105-0.0240 | 1,566,911 | 164,526 | 49,174 | 1,780,611 |
| 4 | 0.0240-0.0550 | 480,197 | 55,803 | 13,842 | 549,842 |
| 5 | >0.0550 | 53,834 | 9,367 | 7,690 | 70,891 |
| | | 3,125,265 | 405,876 | 103,176 | 3,634,317 |

| Bank | | Stage 1 | Stage 2 | Stage 3 & POCI | 2025 Total |
|--------------------------------|-------------------|------------------|----------------|----------------|------------------|
| Internal Rating at Origination | 12 month PD range | £000 | £000 | £000 | £000 |
| 1 | 0.0006-0.0045 | 294,755 | 88,367 | 3,848 | 386,970 |
| 2 | 0.0045-0.0105 | 807,590 | 96,944 | 46,181 | 950,715 |
| 3 | 0.0105-0.0240 | 2,118,966 | 199,696 | 89,901 | 2,408,563 |
| 4 | 0.0240-0.0550 | 627,771 | 81,021 | 25,815 | 734,607 |
| 5 | >0.0550 | 62,281 | 5,472 | 1,747 | 69,500 |
| | | 3,911,362 | 471,501 | 167,492 | 4,550,355 |

| Bank | | Stage 1 | Stage 2 | Stage 3 & POCI | 2024 Total |
|--------------------------------|-------------------|------------------|----------------|----------------|------------------|
| Internal Rating at Origination | 12 month PD range | £000 | £000 | £000 | £000 |
| 1 | 0.0006-0.0045 | 247,015 | 57,470 | 4,703 | 309,188 |
| 2 | 0.0045-0.0105 | 700,287 | 110,545 | 22,610 | 833,442 |
| 3 | 0.0105-0.0240 | 1,495,037 | 156,600 | 45,111 | 1,696,748 |
| 4 | 0.0240-0.0550 | 467,731 | 54,752 | 13,831 | 536,314 |
| 5 | >0.0550 | 48,675 | 8,701 | 5,484 | 62,860 |
| | | 2,958,745 | 388,068 | 91,739 | 3,438,552 |

31. Financial risk (continued)

The following table sets out an analysis of the stage 2 balances as at 31 December, reflecting the stage 2 exposures by days in arrears:

| Group | 2025 | | 2024 | |
|--------------------------------------|-----------------|-------------------|-----------------|-------------------|
| | 30 days or less | More than 30 days | 30 days or less | More than 30 days |
| Stage 2 exposures by days in arrears | £000 | £000 | £000 | £000 |
| Development Finance | 85,538 | 12,021 | 46,084 | 3,065 |
| Specialist Mortgages | 280,541 | 11,701 | 232,758 | 7,329 |
| Asset and Wholesale Finance | 83,317 | 865 | 98,570 | 2,780 |
| Commercial and Retail Finance | 15,629 | 144 | 13,936 | 1,354 |
| | 465,025 | 24,731 | 391,348 | 14,528 |

| Bank | 2025 | | 2024 | |
|--------------------------------------|-----------------|-------------------|-----------------|-------------------|
| | 30 days or less | More than 30 days | 30 days or less | More than 30 days |
| Stage 2 exposures by days in arrears | £000 | £000 | £000 | £000 |
| Development Finance | 85,538 | 12,021 | 46,084 | 3,065 |
| Specialist Mortgages | 280,543 | 11,702 | 232,758 | 7,329 |
| Asset and Wholesale finance | 80,895 | 802 | 96,245 | 2,587 |
| | 446,976 | 24,525 | 375,087 | 12,981 |

The following table sets out an analysis of the portion of stage 3 ECL, including POCI, in a cure period preceding transfer to stage 2 as at 31 December.

| Group | 2025 | | 2024 | |
|--|-----------------------|---------------|-----------------------|---------------|
| | Gross carrying amount | ECL | Gross carrying amount | ECL |
| | £000 | £000 | £000 | £000 |
| Credit-impaired not in cure period | 171,513 | 15,309 | 99,792 | 16,982 |
| No longer credit-impaired but in cure period that precedes transfer to stage 2 | 2,788 | - | 3,384 | 332 |
| | 174,301 | 15,309 | 103,176 | 17,314 |

| Bank | 2025 | | 2024 | |
|--|-----------------------|---------------|-----------------------|---------------|
| | Gross carrying amount | ECL | Gross carrying amount | ECL |
| | £000 | £000 | £000 | £000 |
| Credit-impaired not in cure period | 164,704 | 13,467 | 89,188 | 13,328 |
| No longer credit-impaired but in cure period that precedes transfer to stage 2 | 2,788 | - | 2,551 | 25 |
| | 167,492 | 13,467 | 91,739 | 13,353 |

31. Financial risk (continued)**Concentrations of credit risk**

The Group monitors concentrations of credit risk by sector, size and by geographical location. An analysis of concentrations of credit risk from loans and advances, investment securities and contractual commitments is shown below.

| Group | Loans and advances to Banks & Investment Securities | | Loans and advances to Customers | | Contractual Commitments | |
|----------------------------|---|------------------|---------------------------------|------------------|-------------------------|----------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Carrying amount | 1,375,066 | 1,660,352 | 4,662,248 | 3,581,543 | 723,528 | 610,568 |
| Concentration by sector: | | | | | | |
| Corporate | - | - | 4,284,320 | 3,116,177 | 487,461 | 545,433 |
| Government | 625,678 | 1,395,962 | - | - | - | - |
| Banks | 749,388 | 264,390 | - | - | - | - |
| Retail | - | - | 377,928 | 465,366 | 236,067 | 65,135 |
| | 1,375,066 | 1,660,352 | 4,662,248 | 3,581,543 | 723,528 | 610,568 |
| Concentration by location: | | | | | | |
| UK | 1,375,066 | 1,660,352 | 4,662,248 | 3,581,543 | 723,528 | 610,568 |

| Bank | Loans and advances to Banks & Investment Securities | | Loans and advances to Customers | | Contractual Commitments | |
|----------------------------|---|------------------|---------------------------------|------------------|-------------------------|----------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Carrying amount | 1,372,758 | 1,655,287 | 4,540,376 | 3,391,908 | 723,528 | 610,568 |
| Concentration by sector: | | | | | | |
| Corporate | - | - | 4,162,448 | 2,927,294 | 487,461 | 545,433 |
| Government | 625,678 | 1,395,962 | - | - | - | - |
| Banks | 747,080 | 259,325 | - | - | - | - |
| Retail | - | - | 377,928 | 464,614 | 236,067 | 65,135 |
| | 1,372,758 | 1,655,287 | 4,540,376 | 3,391,908 | 723,528 | 610,568 |
| Concentration by location: | | | | | | |
| UK | 1,372,758 | 1,655,287 | 4,540,376 | 3,391,908 | 723,528 | 610,568 |

31. Financial risk (continued)**Collateral held and other credit enhancements**

Collateral held by the Group includes land, residential and commercial property, and receivables, in the form of finance lease and hire purchase agreements. This collateral exceeds the carrying amount of loans and advances to customers at amortised cost.

The Group uses external agents to take physical possession of properties or other assets held as collateral and realise the value as soon as practicable to settle indebtedness. Any surplus funds are returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

In addition to the collateral included above, the Group also holds other types of collateral and credit enhancements such as personal guarantees, second charges and floating charges for which specific values are not generally available.

The carrying amount and the value of identifiable collateral (mainly residential property) held against loans and advances to corporate customers measured at amortised cost and categorised as stage 3, other than reverse sale and repurchase agreements was £149,918k (2024: £90,364k). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

An analysis by loan-to-value (LTV) ratio of the Bank's Specialist Mortgage lending is presented below. The value of collateral used in determining the LTV ratios has been estimated based upon the last actual valuation, adjusted to take into account subsequent movements in house prices.



31. Financial risk (continued)**Group and Bank**
31 December 2025

| LTV (Indexed) | Buy-to-let | Other lending | 2025 Total |
|--------------------|------------------|------------------|------------------|
| Less than 60% | 340,977 | 187,049 | 528,026 |
| 60% to 65% | 211,043 | 114,926 | 325,969 |
| 65% to 70% | 281,183 | 288,620 | 569,803 |
| 70% to 75% | 506,173 | 433,369 | 939,542 |
| 75% to 80% | 320,427 | 337,782 | 658,209 |
| 80% to 85% | 88,678 | 51,190 | 139,868 |
| Over 85% | 34,541 | 29,274 | 63,815 |
| Grand Total | 1,783,022 | 1,442,210 | 3,225,232 |

Group and Bank
31 December 2024

| LTV (Indexed) | Buy-to-let | Other lending | 2024 Total |
|--------------------|------------------|------------------|------------------|
| Less than 60% | 308,870 | 189,992 | 498,862 |
| 60% to 65% | 226,344 | 105,659 | 332,003 |
| 65% to 70% | 280,288 | 260,531 | 540,819 |
| 70% to 75% | 369,616 | 307,651 | 677,267 |
| 75% to 80% | 163,272 | 140,132 | 303,404 |
| 80% to 85% | 35,136 | 24,835 | 59,971 |
| Over 85% | 11,735 | 2,142 | 13,877 |
| Grand Total | 1,395,261 | 1,030,942 | 2,426,203 |

Forbearance and loan modifications

The Group maintains a forbearance policy for the servicing and management of customers who are in financial difficulty and require some form of concession to be granted, even if this concession entails a loss for the Bank. As at 31 December 2025 the value of forborne loans for the Group and Bank respectively amounted £20.6m (2024: £8.4m) and £20.5m (2024: £5.9m).

Inputs, assumptions and techniques used for estimating impairment

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Group employs five economic scenarios including a central scenario ("Base case"), and four less likely scenarios: one upside ("Upside 1") and one downside scenario ("Downside 1"); and, one extreme upside ("Upside 2") and one extreme downside ("Downside 2") scenario. The central scenario is aligned with information used by the Group for other purposes such as strategic planning and budgeting. External information considered includes economic data from a leading independent economic forecasting consultant. A review is performed at least annually on the design of the scenarios.

31. Financial risk (continued)

The scenario probability weightings applied in measuring ECL are as follows:

| | Downside 2 | Downside 1 | Base | Upside 1 | Upside 2 |
|--------------------------------|------------|------------|------|----------|----------|
| As at 31 December 2025 | | | | | |
| Scenario probability weighting | 10% | 10% | 60% | 10% | 10% |
| As at 31 December 2024 | | | | | |
| Scenario probability weighting | 10% | 10% | 60% | 10% | 10% |

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers of credit risk identified are real GDP, unemployment rates, real estate prices (both residential and commercial), CPI inflation and interest rates (Bank of England Base Rate). The Bank estimates each key driver of credit risk over the active forecast period of five years.

The tables below list the macroeconomic assumptions used in five scenarios over the five-year forecast period. The assumptions represent the absolute percentage for interest rates and unemployment rates and average house prices.

31. Financial risk (continued)

As at 31 December 2025

| Scenario | Economic variable | 2026 | 2027 | 2028 | 2029 | 2030 | Average 26-30 |
|------------|-----------------------|-------|------|------|------|------|---------------|
| Upside 2 | HPI growth (%) | 6.9 | 7.2 | 8.4 | 5.4 | 4.7 | 6.5 |
| | Unemployment rate (%) | 4.1 | 2.9 | 2.3 | 2.2 | 2.2 | 2.7 |
| | CRE price growth (%) | 15.6 | 4.5 | 2.4 | -0.5 | -0.1 | 4.4 |
| | Bank of England rate | 5.3 | 5.1 | 4.4 | 3.6 | 3.5 | 4.4 |
| | CPI inflation (%) | 4.0 | 4.0 | 3.0 | 2.4 | 2.2 | 3.1 |
| | GDP Growth (%) | 5.1 | 3.6 | 2.5 | 1.8 | 1.4 | 2.9 |
| Upside 1 | HPI growth (%) | 4.5 | 5.6 | 6.9 | 5.4 | 4.8 | 5.4 |
| | Unemployment rate (%) | 4.6 | 3.9 | 3.6 | 3.6 | 3.6 | 3.9 |
| | CRE price growth (%) | 10.9 | 4.2 | 2.6 | 0.4 | 0.5 | 3.7 |
| | Bank of England rate | 4.8 | 4.4 | 3.7 | 3.1 | 3.0 | 3.8 |
| | CPI inflation (%) | 3.5 | 3.3 | 2.7 | 2.3 | 2.1 | 2.8 |
| | GDP Growth (%) | 3.4 | 2.8 | 2.2 | 1.7 | 1.5 | 2.3 |
| Base | HPI growth (%) | 2.4 | 3.4 | 4.7 | 5.3 | 4.9 | 4.1 |
| | Unemployment rate (%) | 5.0 | 4.8 | 4.5 | 4.4 | 4.2 | 4.6 |
| | CRE price growth (%) | 3.9 | 3.3 | 2.6 | 2.0 | 1.7 | 2.7 |
| | Bank of England rate | 3.3 | 3.0 | 2.8 | 2.5 | 2.5 | 2.8 |
| | CPI inflation (%) | 2.7 | 2.5 | 2.2 | 2.2 | 2.1 | 2.3 |
| | GDP Growth (%) | 1.0 | 1.4 | 1.5 | 1.5 | 1.5 | 1.4 |
| Downside 1 | HPI growth (%) | -5.9 | -1.7 | 0.0 | 5.2 | 5.3 | 0.6 |
| | Unemployment rate (%) | 5.8 | 6.5 | 6.9 | 6.7 | 6.4 | 6.4 |
| | CRE price growth (%) | -6.1 | 3.2 | 4.1 | 3.8 | 3.1 | 1.6 |
| | Bank of England rate | 2.4 | 1.8 | 1.8 | 1.8 | 1.8 | 1.9 |
| | CPI inflation (%) | 1.6 | 1.3 | 1.7 | 2.0 | 1.8 | 1.7 |
| | GDP Growth (%) | -2.7 | 0.1 | 1.0 | 1.4 | 1.7 | 0.3 |
| Downside 2 | HPI growth (%) | -9.7 | -4.5 | -3.4 | 5.6 | 5.6 | -1.3 |
| | Unemployment rate (%) | 6.0 | 7.0 | 7.4 | 7.2 | 6.9 | 6.9 |
| | CRE price growth (%) | -10.9 | 2.8 | 3.6 | 5.1 | 4.7 | 1.1 |
| | Bank of England rate | 1.9 | 1.0 | 1.0 | 1.0 | 1.0 | 1.2 |
| | CPI inflation (%) | 1.0 | 0.7 | 1.5 | 2.0 | 1.7 | 1.4 |
| | GDP Growth (%) | -4.7 | -0.8 | 0.6 | 1.3 | 1.7 | -0.4 |

31. Financial risk (continued)

As at 31 December 2024

| Scenario | Economic variable | 2025 | 2026 | 2027 | 2028 | 2029 | Average 25-29 |
|------------|-----------------------|-------|------|------|------|------|---------------|
| Upside 2 | HPI growth (%) | 5.5 | 5.6 | 6.8 | 3.9 | 4.3 | 5.2 |
| | Unemployment rate (%) | 3.5 | 2.4 | 2.1 | 2.1 | 2.2 | 2.4 |
| | CRE price growth (%) | 15.2 | 4.4 | 2.3 | 0.2 | 0.1 | 4.4 |
| | Bank of England rate | 6.0 | 5.1 | 4.1 | 3.5 | 3.5 | 4.5 |
| | CPI inflation (%) | 4.3 | 4.1 | 2.9 | 2.3 | 2.2 | 3.2 |
| | GDP Growth (%) | 5.6 | 3.9 | 2.9 | 2.1 | 1.5 | 3.2 |
| Upside 1 | HPI growth (%) | 3.2 | 3.9 | 5.2 | 4.0 | 4.4 | 4.1 |
| | Unemployment rate (%) | 4.0 | 3.6 | 3.6 | 3.6 | 3.6 | 3.7 |
| | CRE price growth (%) | 10.6 | 4.2 | 2.6 | 0.6 | 0.5 | 3.7 |
| | Bank of England rate | 5.4 | 4.4 | 3.4 | 3.0 | 3.0 | 3.8 |
| | CPI inflation (%) | 3.8 | 3.4 | 2.6 | 2.2 | 2.0 | 2.8 |
| | GDP Growth (%) | 3.9 | 3.1 | 2.5 | 2.0 | 1.5 | 2.6 |
| Base | HPI growth (%) | 1.2 | 1.7 | 2.7 | 4.1 | 4.5 | 2.8 |
| | Unemployment rate (%) | 4.4 | 4.3 | 4.2 | 4.1 | 4.0 | 4.2 |
| | CRE price growth (%) | 3.5 | 3.2 | 2.7 | 1.5 | 1.3 | 2.4 |
| | Bank of England rate | 3.8 | 3.1 | 2.6 | 2.5 | 2.5 | 2.9 |
| | CPI inflation (%) | 3.0 | 2.4 | 2.1 | 2.1 | 2.1 | 2.3 |
| | GDP Growth (%) | 1.4 | 1.7 | 1.8 | 1.7 | 1.6 | 1.6 |
| Downside 1 | HPI growth (%) | -7.1 | -3.2 | -2.3 | 4.5 | 4.9 | -0.6 |
| | Unemployment rate (%) | 5.1 | 6.0 | 6.7 | 6.7 | 6.5 | 6.2 |
| | CRE price growth (%) | -5.8 | 3.1 | 3.7 | 3.4 | 2.6 | 1.4 |
| | Bank of England rate | 3.0 | 1.8 | 1.8 | 1.8 | 1.8 | 2.0 |
| | CPI inflation (%) | 1.9 | 1.0 | 1.7 | 1.9 | 1.9 | 1.7 |
| | GDP Growth (%) | -2.3 | 0.4 | 1.4 | 1.7 | 1.7 | 0.6 |
| Downside 2 | HPI growth (%) | -10.9 | -6.0 | -5.4 | 4.8 | 5.2 | -2.5 |
| | Unemployment rate (%) | 5.4 | 6.4 | 7.2 | 7.1 | 6.9 | 6.6 |
| | CRE price growth (%) | -10.7 | 2.9 | 3.9 | 4.7 | 3.5 | 0.9 |
| | Bank of England rate | 2.4 | 1.0 | 1.0 | 1.0 | 1.0 | 1.3 |
| | CPI inflation (%) | 1.3 | 0.5 | 1.6 | 1.9 | 1.8 | 1.4 |
| | GDP Growth (%) | -4.2 | -0.5 | 1.0 | 1.6 | 1.8 | 0.0 |

The base case is the recommended scenario from Oxford Economics in which slow economic growth is generating low GDP growth forecasts. Based on the December 2025 forecast, the UK economy is expected to grow by just 1.4% in 2025 and 1.7% in 2026.

31. Financial risk (continued)

Sensitivity of ECL to future economic conditions

The ECL is sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on the Bank's material asset classes.

The table below shows the model of loss allowance on loans and advances to customers assuming each forward-looking scenario (e.g. base, upside and downside) were weighted 100% instead of applying scenario probability weights across the five scenarios.

| Group | | | | | |
|---|-------------------|-------------------|-------------|-----------------|-----------------|
| As at 31 December 2025 | Downside 2 | Downside 1 | Base | Upside 1 | Upside 2 |
| Gross exposure (£'000) | 4,675,788 | 4,675,788 | 4,675,788 | 4,675,788 | 4,675,788 |
| Loss allowance (£'000) | 33,176 | 29,393 | 24,073 | 22,999 | 22,108 |
| Loss allowance stage 2 (£'000) | 8,666 | 6,924 | 4,458 | 3,939 | 3,552 |
| Proportion of loss allowance in Stage 2 | 26.12% | 23.56% | 18.52% | 17.13% | 16.07% |

| Group | | | | | |
|---|-------------------|-------------------|-------------|-----------------|-----------------|
| As at 31 December 2024 | Downside 2 | Downside 1 | Base | Upside 1 | Upside 2 |
| Gross exposure (£'000) | 3,634,317 | 3,634,317 | 3,634,317 | 3,634,317 | 3,634,317 |
| Loss allowance (£'000) | 33,153 | 29,606 | 25,311 | 24,632 | 23,995 |
| Loss allowance stage 2 (£'000) | 7,886 | 5,896 | 3,637 | 3,316 | 3,096 |
| Proportion of loss allowance in Stage 2 | 23.79% | 19.91% | 14.37% | 13.46% | 12.90% |

| Bank | | | | | |
|---|-------------------|-------------------|-------------|-----------------|-----------------|
| As at 31 December 2025 | Downside 2 | Downside 1 | Base | Upside 1 | Upside 2 |
| Gross exposure (£'000) | 4,550,355 | 4,550,355 | 4,550,355 | 4,550,355 | 4,550,355 |
| Loss allowance (£'000) | 29,541 | 25,783 | 20,518 | 19,494 | 18,609 |
| Loss allowance stage 2 (£'000) | 7,415 | 5,677 | 3,222 | 2,709 | 2,329 |
| Proportion of loss allowance in Stage 2 | 25.10% | 22.02% | 15.70% | 13.90% | 12.51% |

| Bank | | | | | |
|---|-------------------|-------------------|-------------|-----------------|-----------------|
| As at 31 December 2024 | Downside 2 | Downside 1 | Base | Upside 1 | Upside 2 |
| Gross exposure (£'000) | 3,438,552 | 3,438,552 | 3,438,552 | 3,438,552 | 3,438,552 |
| Loss allowance (£'000) | 26,534 | 23,034 | 18,843 | 18,221 | 17,631 |
| Loss allowance stage 2 (£'000) | 6,404 | 4,423 | 2,184 | 1,873 | 1,665 |
| Proportion of loss allowance in Stage 2 | 24.14% | 19.20% | 11.59% | 10.28% | 9.44% |

31. Financial risk (continued)**31.2 Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due or cannot do so without incurring unacceptable losses. The Group measures liquidity risk on a daily basis to ensure it has adequate liquidity to meet both internal risk appetite and regulatory requirements. Daily liquidity reporting is supplemented by a range of early warning indicators to help identify signs of liquidity risk. The Group regularly stress tests its liquidity requirements against a number of scenarios, these scenarios and underlying assumptions are reviewed at least annually to ensure they continue to be relevant. As part of the Recovery Plan the Group maintains a Liquidity Contingency Plan which contains mitigating actions available during a stress. Monthly reporting procedures are in place to update and inform senior management and all liquidity policies and procedures are subject to periodic independent internal oversight.

The table below analyses remaining contractual maturity undiscounted cash flows of non-derivative financial assets and liabilities.

| Group | Carrying value | Net inflow / (outflow) | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years |
|---------------------------------|-----------------------|-------------------------------|----------------------|----------------------|-----------------------|---------------------|---------------------|
| At 31 December 2025 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Assets | | | | | | | |
| Loan and advances to Banks | 681,393 | 681,393 | 681,393 | - | - | - | - |
| Loans and advances to customers | 4,662,248 | 6,916,782 | 167,928 | 140,988 | 634,318 | 1,215,090 | 4,758,458 |
| Investment Securities | 693,673 | 779,539 | 4,968 | 11,555 | 46,568 | 716,448 | - |
| Contractual loan commitments | 723,528 | 723,528 | 179,547 | 184,941 | 231,966 | 127,074 | - |
| Total | 6,760,843 | 9,101,243 | 1,033,837 | 337,484 | 912,852 | 2,058,612 | 4,758,458 |
| Liabilities | | | | | | | |
| Deposits | (5,232,516) | (5,355,068) | (2,168,343) | (547,891) | (1,709,529) | (929,305) | - |
| Central Bank Facilities | (290,000) | (295,861) | (178,599) | (45,901) | (71,361) | - | - |
| Contractual loan commitments | (723,528) | (723,528) | (179,547) | (184,941) | (231,966) | (127,074) | - |
| Subordinated Debt | (81,669) | (112,211) | (1,117) | - | (5,734) | (48,126) | (57,234) |
| Capital Securities | (17,030) | (20,041) | - | - | (1,505) | (18,536) | - |
| Total | (6,344,743) | (6,506,709) | (2,527,606) | (778,733) | (2,020,095) | (1,123,041) | (57,234) |

31. Financial risk (continued)

| Group | Carrying value | Net inflow / (outflow) | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years |
|---------------------------------|--------------------|------------------------|--------------------|------------------|--------------------|--------------------|------------------|
| At 31 December 2025 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Assets | | | | | | | |
| Loan and advances to Banks | 1,440,272 | 1,440,372 | 1,440,372 | - | - | - | - |
| Loans and advances to customers | 3,581,803 | 5,281,545 | 134,662 | 114,813 | 460,551 | 1,049,679 | 3,521,840 |
| Investment Securities | 219,980 | 257,528 | 5,656 | 2,235 | 8,473 | 241,164 | - |
| Contractual loan commitments | 610,568 | 610,568 | 149,780 | 164,211 | 166,187 | 130,390 | - |
| Total | 5,852,723 | 7,590,013 | 1,730,470 | 281,259 | 635,211 | 1,421,233 | 3,521,840 |
| Liabilities | | | | | | | |
| Deposits | (4,526,003) | (4,667,561) | (1,797,026) | (322,410) | (1,529,672) | (1,018,453) | - |
| Central Bank Facilities | (295,000) | (309,466) | (3,607) | - | (305,859) | - | - |
| Contractual loan commitments | (610,568) | (610,568) | (149,780) | (164,211) | (166,187) | (130,390) | - |
| Subordinated Debt | (56,085) | (77,445) | - | - | (6,413) | (71,032) | - |
| Capital Securities | (17,030) | (21,546) | - | - | (1,505) | (20,041) | - |
| Total | (5,504,686) | (5,686,586) | (1,950,413) | (486,621) | (2,009,636) | (1,239,916) | - |

31. Financial risk (continued)

| Bank | Carrying value | Net inflow / (outflow) | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years |
|---------------------------------|--------------------|------------------------|--------------------|------------------|--------------------|--------------------|------------------|
| At 31 December 2025 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Assets | | | | | | | |
| Loan and advances to Banks | 679,085 | 679,085 | 679,085 | - | - | - | - |
| Loans and advances to customers | 4,540,376 | 6,748,139 | 165,349 | 135,521 | 614,712 | 1,151,179 | 4,681,378 |
| Investment Securities | 693,673 | 779,539 | 4,968 | 11,555 | 46,568 | 716,448 | - |
| Contractual loan commitments | 723,528 | 723,528 | 179,547 | 184,941 | 231,966 | 127,075 | - |
| Total | 6,636,661 | 8,930,290 | 1,028,949 | 332,016 | 893,246 | 1,994,702 | - |
| Liabilities | | | | | | | |
| Deposits | (5,232,516) | (5,355,068) | (2,168,343) | (547,891) | (1,709,529) | (929,306) | - |
| Central Bank Facilities | (290,000) | (295,861) | (178,599) | (45,901) | (71,361) | - | - |
| Contractual loan commitments | (723,528) | (723,528) | (179,547) | (184,941) | (231,966) | (127,075) | - |
| Subordinated Debt | (81,669) | (112,211) | (1,117) | - | (5,734) | (48,125) | (57,234) |
| Capital Securities | (17,030) | (20,041) | - | - | (1,505) | (18,535) | - |
| Total | (6,344,743) | (6,506,709) | (2,527,606) | (778,733) | (2,020,096) | (1,123,041) | (57,234) |
| At 31 December 2024 | | | | | | | |
| Assets | | | | | | | |
| Loan and advances to Banks | 1,435,307 | 1,435,307 | 1,435,307 | - | - | - | - |
| Loans and advances to customers | 3,392,168 | 5,009,236 | 130,234 | 106,271 | 427,709 | 949,290 | 3,395,732 |
| Investment Securities | 219,980 | 257,528 | 5,656 | 2,235 | 8,473 | 241,164 | - |
| Contractual loan commitments | 610,568 | 610,568 | 149,780 | 164,211 | 166,187 | 130,390 | - |
| Total | 5,658,023 | 7,312,639 | 1,720,977 | 272,717 | 602,369 | 1,320,844 | 3,395,732 |
| Liabilities | | | | | | | |
| Deposits | (4,526,003) | (4,667,562) | (1,797,027) | (322,410) | (1,529,672) | (1,018,453) | - |
| Central Bank Facilities | (295,000) | (309,466) | (3,607) | - | (305,859) | - | - |
| Contractual loan commitments | (610,568) | (610,568) | (149,780) | (164,211) | (166,187) | (130,390) | - |
| Subordinated Debt | (56,085) | (77,445) | - | - | (6,413) | (71,032) | - |
| Capital Securities | (17,030) | (21,546) | - | - | (1,505) | (20,041) | - |
| Total | (5,504,686) | (5,686,587) | (1,950,414) | (486,621) | (2,009,636) | (1,239,916) | - |

31. Financial risk (continued)*Liquidity reserves*

The Group has a strong liquidity position and holds high quality liquid assets comprising cash placed on deposit with the Bank of England, UK Covered Bonds and Residential Mortgage-Backed Securities which can be quickly monetised through repurchase agreements or outright sale.

The following table details the components of the Group's liquidity reserves as at 31 December:

| Group and Bank | 2025 | 2025 | 2024 | 2024 |
|---|------------------------|--------------------|------------------------|--------------------|
| | Carrying value £000 | Fair Value £000 | Carrying value £000 | Fair Value £000 |
| Cash and balances at central banks | 625,679 | 625,679 | 1,395,962 | 1,395,962 |
| Unencumbered Covered Bonds | 421,082 | 421,605 | 201,845 | 202,016 |
| Unencumbered Residential Mortgage-Backed Securities | 110,036 | 110,017 | - | - |
| Total liquidity reserves | 1,156,797 | 1,157,301 | 1,597,807 | 1,597,978 |

Financial assets pledged as collateral

Financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities at 31 December 2025 are £721.3m for Group and Bank (2024: £414.5m Group and Bank).

Financial assets are pledged as collateral as part of sales and repurchases under terms that are usual and customary for such activities.

31. Financial risk (continued)*Offsetting financial assets and financial liabilities*

The Group's derivative transactions are entered into under Cleared Derivatives Execution Agreement (CDEA) and the corresponding cleared derivatives master netting documentation. The Group executes a credit support annex in conjunction with the CDEA, which requires the Group and its counterparties to post collateral to mitigate counterparty credit risk and gives the right to each party to terminate the related transactions on the failure to post collateral. During 2024 The Group's derivative transactions were entered into under International Swaps and Derivatives Association (ISDA) master netting agreements. The following table outlines financial assets and liabilities subject to enforceable master netting arrangements as at 31 December.

| Group and Bank | Related amounts not offset in the statement of financial position | | | Net amount £000 |
|---|---|---|--|--------------------|
| | Assets/ (Liabilities) recognised in the statement of financial position £000 | Financial instruments (including non-cash collateral) £000 | Cash collateral (received/ pledged) £000 | |
| As at 31 December 2025 | | | | |
| Derivative assets held for risk management | 13,326 | (18,715) | 33,709 | 28,320 |
| Derivative liabilities held for risk management | (18,715) | 18,715 | - | - |
| Total | (5,389) | - | 33,709 | - |

| Group and Bank | Related amounts not offset in the statement of financial position | | | Net amount £000 |
|---|---|---|--|--------------------|
| | Assets/ (Liabilities) recognised in the statement of financial position £000 | Financial instruments (including non-cash collateral) £000 | Cash collateral (received/ pledged) £000 | |
| As at 31 December 2025 | | | | |
| Derivative assets held for risk management | 51,588 | (22,569) | (7,720) | 21,299 |
| Derivative liabilities held for risk management | (22,569) | 22,569 | - | - |
| Total | 29,019 | - | (7,720) | 21,299 |

There are no asset and liability balances which are offset within the statement of financial position.

31. Financial risk (continued)**31.3 Market risk**

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. The Bank does not engage in any trading operations. The Group's exposure to foreign currency risk is limited and managed by ALCO on a monthly basis.

(a) Interest rate risk

Interest rate risk is the potential adverse impact on the Group's future cash flows from changes in interest rates and arises from the differing interest rate risk characteristics of the Group's assets and liabilities. In particular, fixed rate products expose the Group to the risk that a change in interest rates could cause either a reduction in interest income or an increase in interest expense relative to variable rate interest flows.

The Group manages and controls interest rate risk through its hedging strategy. Interest rate exposure is managed by ALCO on a monthly basis, and it operates within pre-agreed limits.

ALCO's activities include monitoring changes in the Bank's interest rate exposures, which include the impact of the Group's outstanding or forecast debt obligations and changes to exposures arising from IBOR reform. ALCO is responsible for setting the overall hedging strategy of the Group. Central Treasury is responsible for implementing that strategy by putting in place the individual hedge arrangements. Many of those hedge arrangements are designated in hedging relationships for accounting purposes (see note 23).

(b) Interest rate sensitivity gap

The Group considers a parallel 200 basis points movement to be appropriate for scenario testing given the current economic outlook and industry expectations. The change in equity as a result, based on the present value of future cash flows discounted using Sterling Overnight Index Average ("SONIA"), would be as follows:

| Group | 2025 | 2024 |
|-------------------|-------------|-------------|
| | £000 | £000 |
| +200 basis points | 28 | (1,717) |
| -200 basis points | 121 | 1,861 |

| Bank | 2025 | 2024 |
|-------------------|-------------|-------------|
| | £000 | £000 |
| +200 basis points | 177 | (1,319) |
| -200 basis points | (39) | 1,440 |

31. Financial risk (continued)*(b) Interest rate sensitivity gap* (continued)

The table below provides an analysis of the re-pricing periods of assets and liabilities. Mismatches in the re-pricing timing of assets and liabilities creates interest rate risk. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and the residual maturity date.

| Group | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 7 years | Non-interest bearing | Total |
|-------------------------------------|----------------------|----------------------|-----------------------|---------------------|-----------------------------|------------------|
| At 31 December 2025 | £000 | £000 | £000 | £000 | £000 | £000 |
| Assets | | | | | | |
| Loan and advances to banks | 681,393 | - | - | - | - | 681,393 |
| Loans and advances to customers | 1,248,768 | 154,057 | 610,946 | 2,662,017 | - | 4,675,788 |
| Investment securities | 693,673 | - | - | - | - | 693,673 |
| Other assets | - | - | - | - | 76,898 | 76,898 |
| Total assets | 2,623,834 | 154,057 | 610,946 | 2,662,017 | 76,898 | 6,127,752 |
| Liabilities and equity | | | | | | |
| Customer deposits | 2,519,501 | 315,657 | 1,576,434 | 820,924 | - | 5,232,516 |
| Central bank facilities | 290,000 | - | - | - | - | 290,000 |
| Subordinated liabilities | - | - | - | 81,669 | - | 81,669 |
| Other liabilities | - | - | - | - | 88,032 | 88,032 |
| Equity | - | - | - | 17,030 | 418,505 | 435,535 |
| Total liabilities and equity | 2,809,501 | 315,657 | 1,576,434 | 919,623 | 506,537 | 6,127,752 |
| Interest rate sensitivity gap | (185,667) | (161,600) | (965,488) | 1,742,394 | (429,639) | - |
| Cumulative gap | (185,667) | (347,267) | (1,312,755) | 429,639 | - | - |
| Notional value of derivatives | (287,750) | 231,420 | 1,084,250 | (1,027,920) | - | - |

31. Financial risk (continued)*(b) Interest rate sensitivity gap* (continued)

| Group | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 7 years | Non-interest bearing | Total |
|-------------------------------------|------------------|----------------|------------------|------------------|----------------------|------------------|
| At 31 December 2024 | £000 | £000 | £000 | £000 | £000 | £000 |
| Assets | | | | | | |
| Loan and advances to banks | 1,440,372 | - | - | - | - | 1,440,372 |
| Loans and advances to customers | 922,139 | 79,182 | 356,184 | 2,277,072 | - | 3,634,577 |
| Investment securities | 219,980 | - | - | - | - | 219,980 |
| Other assets | - | - | - | - | 91,745 | 91,745 |
| Total assets | 2,582,491 | 79,182 | 356,184 | 2,277,072 | 91,745 | 5,386,674 |
| Liabilities and equity | | | | | | |
| Customer deposits | 1,592,886 | 410,443 | 1,601,728 | 920,946 | - | 4,526,003 |
| Central bank facilities | 295,000 | - | - | - | - | 295,000 |
| Subordinated liabilities | - | - | - | 56,085 | - | 56,085 |
| Other liabilities | 30,078 | - | - | - | 106,934 | 137,012 |
| Equity | - | - | - | 17,030 | 355,544 | 372,574 |
| Total liabilities and equity | 1,917,964 | 410,443 | 1,601,728 | 994,061 | 462,478 | 5,386,674 |
| Interest rate sensitivity gap | 664,527 | (331,261) | (1,245,544) | 1,283,011 | (370,733) | - |
| Cumulative gap | 664,527 | 333,266 | (912,278) | 370,733 | - | - |
| Notional value of derivatives | (287,750) | 231,420 | 1,084,250 | (1,027,920) | - | - |

31. Financial risk (continued)*(b) Interest rate sensitivity gap* (continued)

| Bank | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 7 years | Non-interest bearing | Total |
|---------------------------------------|------------------|----------------|------------------|------------------|----------------------|------------------|
| At 31 December 2025 | £000 | £000 | £000 | £000 | £000 | £000 |
| Assets | | | | | | |
| Loan and advances to banks | 679,085 | - | - | - | - | 679,085 |
| Loans and advances to customers | 1,117,098 | 151,480 | 602,163 | 2,679,614 | - | 4,550,355 |
| Investment securities | 693,673 | - | - | - | - | 693,673 |
| Other assets | 97,761 | - | 16,900 | - | 88,625 | 203,286 |
| Total assets | 2,587,617 | 151,480 | 619,063 | 2,679,614 | 88,625 | 6,126,399 |
| Liabilities and equity | | | | | | |
| Customer deposits | 2,519,501 | 315,657 | 1,576,434 | 820,924 | - | 5,232,516 |
| Central bank facilities | 290,000 | - | - | - | - | 290,000 |
| Subordinated liabilities | - | - | - | 81,669 | - | 81,669 |
| Other liabilities | - | - | - | - | 87,847 | 87,847 |
| Equity | - | - | - | 17,030 | 417,337 | 434,367 |
| Total liabilities and equities | 2,809,501 | 315,657 | 1,576,434 | 919,623 | 505,184 | 6,126,399 |
| Interest rate sensitivity gap | (221,884) | (164,177) | (957,371) | 1,759,991 | (416,559) | - |
| Cumulative gap | (221,884) | (386,061) | (1,343,432) | 416,559 | - | - |
| Notional value of derivatives | 515,160 | 211,630 | 828,760 | (1,555,550) | - | - |

31. Financial risk (continued)*(b) Interest rate sensitivity gap* (continued)

| Bank | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 7 years | Non-interest bearing | Total |
|---------------------------------|------------------|----------------|------------------|------------------|----------------------|------------------|
| At 31 December 2024 | £000 | £000 | £000 | £000 | £000 | £000 |
| Assets | | | | | | |
| Loan and advances to banks | 1,435,307 | - | - | - | - | 1,435,307 |
| Loans and advances to customers | 757,612 | 74,179 | 350,032 | 2,256,990 | - | 3,438,813 |
| Investment securities | 219,980 | - | - | - | - | 219,980 |
| Other assets | 145,914 | - | - | 16,900 | 130,615 | 293,429 |
| Total assets | 2,558,813 | 74,179 | 350,032 | 2,273,890 | 130,615 | 5,387,529 |
| Liabilities and equity | | | | | | |
| Customer deposits | 1,592,886 | 410,443 | 1,601,728 | 920,946 | - | 4,526,003 |
| Central bank facilities | 295,000 | - | - | - | - | 295,000 |
| Subordinated liabilities | - | - | - | 56,085 | - | 56,085 |
| Other liabilities | 30,078 | - | - | - | 105,804 | 135,882 |
| Equity | - | - | - | 17,030 | 357,529 | 374,559 |
| Total liabilities | 1,917,964 | 410,443 | 1,601,728 | 994,061 | 463,333 | 5,387,529 |
| Interest rate sensitivity gap | 640,849 | (336,264) | (1,251,696) | 1,262,929 | (332,718) | - |
| Cumulative gap | 640,849 | 304,585 | (947,111) | 332,718 | - | - |
| Notional value of derivatives | (287,750) | 231,420 | 1,084,250 | (1,027,920) | - | - |

*(c) Managing interest rate benchmark reform and associated risks**IBOR transition*

The Group has no outstanding LIBOR-linked derivatives or any LIBOR-referencing or LIBOR-linked loans as it worked to migrate to Base rate from LIBOR during 2024 and 2025. The Group has concluded that as at 31 December 2025, its fair value hedging relationships are no longer subject to uncertainty driven by the IBOR reform or previously referenced LIBOR.

Derivatives

The Group holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that as at 31 December 2025 are indexed to SONIA. The Group's derivative instruments are governed by contracts based on the International Swaps and Cleared Derivatives Execution Agreement (CDEA).

ISDA has reviewed its standardised contracts in light of IBOR reform and has published an IBOR fall-back supplement to amend the 2006 ISDA definitions. The Group has adhered to this protocol.

31. Financial risk (continued)*(c) Managing interest rate benchmark reform and associated risks* (continued)

The following table shows the total amount of unreformed financial assets and loan commitments as at 31 December 2024. The amount of trading assets are shown at their carrying amounts and the amounts of loans and advances to customers are shown at their gross carrying amounts. The amounts of loan commitments are shown at their committed amounts. There are no unreformed financial assets and loan commitments remaining as at 31 December 2025.

| | 31 December 2025 £000 | 31 December 2024 £000 |
|--|--------------------------|--------------------------|
| Loans and advances to customers | | |
| Specialist Mortgages | - | 7,446 |
| Development finance | - | - |
| | - | 7,446 |
| Loan commitments | - | - |
| | - | 7,446 |

32. Property, Plant and Equipment

See accounting policy in note 7.15.

| Group | Office Equipment £000 | Fixtures and fittings £000 | Equipment for hire £000 | Total £000 |
|----------------------------------|--------------------------|-------------------------------|----------------------------|---------------|
| Cost | | | | |
| At 1 January 2025 | 3,903 | 4,551 | 1,516 | 9,970 |
| Additions | 296 | 5 | - | 301 |
| Disposals | (434) | (779) | (1,052) | (2,265) |
| At 31 December 2025 | 3,765 | 3,777 | 464 | 8,006 |
| Accumulated depreciation | | | | |
| At 1 January 2025 | 2,821 | 1,671 | 1,162 | 5,654 |
| Charge for year | 517 | 777 | 188 | 1,482 |
| Depreciation release on disposal | (434) | (779) | (984) | (2,197) |
| At 31 December 2025 | 2,904 | 1,669 | 366 | 4,939 |
| Net book value | | | | |
| At 31 December 2025 | 861 | 2,108 | 98 | 3,067 |
| At 31 December 2024 | 1,082 | 2,880 | 354 | 4,316 |

32. Property, Plant and Equipment (continued)

| Group | £000 | Office equipment £000 | Fixtures and fittings £000 | Equipment for hire £000 |
|----------------------------------|--------------|--------------------------|-------------------------------|----------------------------|
| Cost | | | | |
| At 1 January 2024 | 3,616 | 4,591 | 3,169 | 11,376 |
| Additions | 293 | 5 | - | 298 |
| Disposals | (6) | (45) | (1,653) | (1,704) |
| At 31 December 2024 | 3,903 | 4,551 | 1,516 | 9,970 |
| Accumulated depreciation | | | | |
| At 1 January 2024 | 2,322 | 903 | 2,054 | 5,279 |
| Charge for year | 499 | 768 | 599 | 1,825 |
| Depreciation release on disposal | - | - | (1,451) | (1,451) |
| At 31 December 2024 | 2,821 | 1,671 | 1,162 | 5,654 |
| Net book value | | | | |
| At 31 December 2024 | 1,082 | 2,880 | 354 | 4,316 |
| At 31 December 2023 | 1,294 | 3,688 | 1,115 | 6,097 |

The net book value of equipment for hire represents the value of equipment leased to customers on operating leases. These agreements do not give the customer rights and benefits equivalent to ownership of the asset and the expectation is that the equipment subject to these agreements will be returned to the Bank at the end of the lease period.

| Bank | Office Equipment £000 | Fixtures and fittings £000 | Total £000 |
|----------------------------------|--------------------------|-------------------------------|---------------|
| Cost | | | |
| At 1 January 2025 | 3,841 | 4,551 | 8,392 |
| Additions | 296 | 5 | 301 |
| Disposals | (434) | (779) | (1,213) |
| At 31 December 2025 | 3,701 | 3,777 | 7,480 |
| Accumulated depreciation | | | |
| At 1 January 2025 | 2,760 | 1,671 | 4,431 |
| Charge for year | 515 | 777 | 1,292 |
| Depreciation release on disposal | (433) | (779) | (1,212) |
| At 31 December 2025 | 2,842 | 1,669 | 4,511 |
| Net book value | | | |
| At 31 December 2025 | 861 | 2,108 | 2,969 |
| At 31 December 2024 | 1,081 | 2,880 | 3,961 |

32. Property, Plant and Equipment (continued)

| Bank | Office Equipment £000 | Fixtures and fittings £000 | Total £000 |
|----------------------------------|--------------------------|-------------------------------|---------------|
| Cost | | | |
| At 1 January 2024 | 3,553 | 4,591 | 8,144 |
| Additions | 293 | 5 | 298 |
| Disposals | (5) | (45) | (50) |
| At 31 December 2024 | 3,841 | 4,551 | 8,392 |
| Accumulated depreciation | | | |
| At 1 January 2024 | 2,272 | 903 | 3,175 |
| Charge for year | 488 | 768 | 1,25 |
| Depreciation release on disposal | - | - | - |
| At 31 December 2024 | 2,760 | 1,671 | 4,431 |
| Net book value | | | |
| At 31 December 2024 | 1,080 | 2,881 | 3,961 |
| At 31 December 2023 | 1,281 | 3,688 | 4,969 |

There were no capitalised borrowing costs related to the acquisition of Property, Plant and Equipment during the year (2024: nil).

No impairment charges were incurred during the year (2024: nil).

The future minimum lease payments under non-cancellable operating leases are repayable as follows:

| Group and Bank | 2025 £'000 | 2024 £'000 |
|---|---------------|---------------|
| Gross investment in operating lease receivables: | | |
| Year 1 | - | 111 |
| Year 2 | - | - |
| Year 3 | - | - |
| Total future repayments | - | 111 |
| Unearned finance income | - | (31) |
| Net investment | - | 80 |

Rentals receivable during the year under operating leases amounted to £158k (2024: £597k). In the year to 31 December 2025 the Bank recognised £82k (2024: £67k) of contingent rentals as income.

33. Leases

See accounting policy in note 7.6.

The Group leases office premises and these are presented as Right-of-Use assets on a separate line in the statement of financial position. The Net book value and accumulated depreciation charge on right of use assets as at 31 December is as follows:

| Right of use asset – Office premise | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|--|--------------------------------|--------------------------------|-------------------------------|-------------------------------|
| Net book value at 1 January | 2,711 | 3,618 | 2,711 | 3,602 |
| Net book value at 31 December | 1,940 | 2,711 | 1,940 | 2,711 |
| Accumulation depreciation at 31 December | 1,917 | 1,147 | 1,917 | 1,147 |

During the year the following right of use assets were disposed

| Right of use asset – Office premise | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|--|--------------------------------|--------------------------------|-------------------------------|-------------------------------|
| Cost Disposed | - | 429 | - | 120 |
| Depreciation released on disposal | - | (315) | - | (6) |
| Net book value disposed | - | 114 | - | 114 |

Additions to the right of use asset during 2025 were £Nil (2024: £Nil).

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at 31 December is as follows:

| | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|--------|--------------------------------|--------------------------------|-------------------------------|-------------------------------|
| Year 1 | 1,290 | 790 | 1,290 | 737 |
| Year 2 | 1,474 | 1,290 | 1,474 | 1,290 |
| Year 3 | 419 | 1,474 | 419 | 1,474 |
| Year 4 | - | 419 | - | 419 |
| Year 5 | - | - | - | - |
| | 3,183 | 3,973 | 3,183 | 3,920 |

The discounted lease liability as at 31 December 2025 is £2,900k for the Group and Bank (2024: £3,462k Group and £3,409k Bank)

33. Leases (continued)

Amounts recognised within the Statement of Comprehensive income in relation to finance leases are as follows:

| | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|----------------------|--------------------------------|--------------------------------|-------------------------------|-------------------------------|
| Depreciation expense | (771) | (792) | (771) | (777) |
| Interest expense | (228) | (262) | (228) | (258) |

Included within the head office lease for 80 Fenchurch Street is a break option after 5 years of the overall 10-year lease term. The measurement of the lease liability has been performed in reference to cashflows up until the break option date. Future cash outflows not included within the measurement of lease liabilities are as follows:

| Group and Bank | 2025 £000 | 2024 £000 |
|---|----------------------|----------------------|
| Future cashflows for not reasonably certain termination options | 7,371 | 7,371 |

34. Intangible assets

See accounting policy in note 7.16.

| Group | Internally Generated Assets £000 | Software £000 | Total £000 |
|-----------------------------------|---|--------------------------|-----------------------|
| <i>Cost</i> | | | |
| At 1 January 2025 | 10,712 | 24,948 | 35,661 |
| Additions | 2,223 | 2,190 | 4,613 |
| Disposal | (2,089) | (6,979) | (9,068) |
| At 31 December 2025 | 11,047 | 20,159 | 31,206 |
| <i>Accumulated amortisation</i> | | | |
| At 1 January 2025 | 5,985 | 14,768 | 20,753 |
| Charge for year | 1,667 | 3,428 | 5,095 |
| Amortisation released on disposal | (1,883) | (6,708) | (8,591) |
| At 31 December 2025 | 5,769 | 11,488 | 17,257 |
| <i>Net book value</i> | | | |
| At 31 December 2025 | 5,278 | 8,671 | 13,949 |
| At 31 December 2024 | 4,727 | 10,180 | 14,907 |

34. Intangible assets (continued)

| Group | Inernally Generated Assets £000 | Software £000 | Licenses £000 | Core Deposit Intangible £000 | Total £000 |
|-----------------------------------|--|------------------|------------------|---------------------------------------|---------------|
| Cost | | | | | |
| At 1 January 2024 | 8,417 | 20,496 | 11 | 1,960 | 30,884 |
| Additions | 2,295 | 4,520 | - | - | 6,815 |
| Disposal | - | (67) | (11) | (1,960) | (2,038) |
| At 31 December 2024 | 10,712 | 24,949 | - | - | 35,661 |
| Accumulated amortisation | | | | | |
| At 1 January 2024 | 4,651 | 11,869 | 11 | 1,558 | 18,089 |
| Charge for year | 1,334 | 2,899 | - | 402 | 4,635 |
| Amortisation released on disposal | - | - | (11) | (1,960) | (1,971) |
| At 31 December 2024 | 5,985 | 14,768 | - | - | 20,753 |
| Net book value | | | | | |
| At 31 December 2024 | 4,727 | 10,181 | - | - | 14,908 |
| At 31 December 2023 | 3,767 | 8,627 | - | 402 | 12,795 |

| Bank | Inernally Generated Assets £000 | Software £000 | Total £000 |
|-----------------------------------|--|------------------|---------------|
| Cost | | | |
| At 1 January 2025 | 10,713 | 22,032 | 32,745 |
| Additions | 2,423 | 2,190 | 4,613 |
| Disposals | (2,089) | (4,340) | (6,429) |
| At 31 December 2025 | 11,047 | 19,882 | 30,929 |
| Accumulated amortisation | | | |
| At 1 January 2025 | 5,985 | 12,048 | 18,033 |
| Charge for year | 1,667 | 3,233 | 4,900 |
| Amortisation released on disposal | (1,883) | (4,070) | (5,953) |
| At 31 December 2025 | 5,769 | 11,211 | 16,980 |
| Net book value | | | |
| At 31 December 2025 | 5,278 | 8,671 | 13,949 |
| At 31 December 2024 | 4,728 | 9,984 | 14,712 |

34. Intangible assets (continued)

| Bank | Inernally Generated Assets £000 | Software £000 | Total £000 |
|---------------------------------|--|------------------|---------------|
| Cost | | | |
| At 1 January 2024 | 8,418 | 17,580 | 25,998 |
| Additions | 2,295 | 4,519 | 6,814 |
| Disposals | - | (67) | (67) |
| At 31 December 2024 | 10,713 | 22,032 | 32,745 |
| Accumulated amortisation | | | |
| At 1 January 2024 | 4,651 | 9,615 | 14,266 |
| Charge for year | 1,334 | 2,433 | 3,767 |
| At 31 December 2024 | 5,985 | 12,048 | 18,033 |
| Net book value | | | |
| At 31 December 2024 | 4,728 | 9,984 | 14,712 |
| At 31 December 2023 | 3,767 | 7,965 | 11,732 |

35. Other assets

| | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|-----------------------------|-----------------------|-----------------------|----------------------|----------------------|
| Other receivables | 45,813 | 59,196 | 45,753 | 59,116 |
| Prepayments | 4,045 | 4,363 | 3,943 | 3,999 |
| Receivables from affiliates | 137 | 171 | 114,798 | 162,985 |
| Other Assets | 49,995 | 63,730 | 164,494 | 226,100 |

Included within receivables from affiliates is amounts receivable from group undertakings of £114.7m (2024: £162.8m) which are unsecured and repayable on demand. In the current year the corporation tax asset has been presented as its own line item on the face of the balance sheet, and therefore 2024 has been prepared comparatively.

The assets split between current and non-current assets is as follows:

| | Group 2025 £000 | Group 2024 £000 | Bank 2025 £000 | Bank 2024 £000 |
|---------------------|-----------------------|-----------------------|----------------------|----------------------|
| Current assets | 49,247 | 62,903 | 163,746 | 225,273 |
| Non-current assets | 748 | 827 | 748 | 827 |
| Other Assets | 49,995 | 63,730 | 164,494 | 226,100 |

Non-current assets include prepayments of £748k (2024: £827k)

36. Other liabilities

| | Group 2025 | Group 2024 | Bank 2025 | Bank 2024 |
|----------------------------|-----------------------|-----------------------|----------------------|----------------------|
| | £000 | £000 | £000 | £000 |
| Other payables | 51,589 | 68,120 | 51,517 | 67,905 |
| Accruals | 12,678 | 12,783 | 12,370 | 11,744 |
| Margin account liabilities | - | 30,078 | - | 30,078 |
| Payables to affiliates | - | - | 195 | 177 |
| Other Liabilities | 64,267 | 110,981 | 64,082 | 109,904 |

Payables to affiliates includes intercompany payables to subsidiary undertakings.

Margin account liabilities represent cash collateral received in respect of derivative exposures with a term exceeding three months.

There are no non-current liabilities included within other liabilities.

37. Subordinated liabilities

See accounting policy in note 7.19.

The terms and conditions of subordinated notes issued are as follows:

| Group and Bank | First call date | Maturity date | 2025 | 2024 |
|---|------------------------|----------------------|---------------|---------------|
| Tier 2 capital securities | | | £000 | £000 |
| 9.71% Fixed Rate Reset Callable Subordinated Notes | 2023 | 2028 | - | 30,000 |
| 14% Fixed Rate Reset Callable Subordinated Notes | 2028 | 2033 | 25,000 | 25,000 |
| 8.125% Fixed Rate Reset Callable Subordinated Notes | 2030 | 2036 | 55,000 | - |
| | | | 80,000 | 55,000 |
| Deferred acquisition costs | | | (779) | (434) |
| Accrued interest | | | 973 | 449 |
| Fair value movement on hedged item | | | 1,475 | 1,070 |
| Subordinated Liabilities | | | 81,669 | 56,085 |

Tier 2 capital securities are dated subordinated securities on which there is an obligation to pay coupons. They may be called before maturity date at the option of the Bank and subject to permission by the Group's lead regulator. These capital securities are included within the Group's regulatory capital base as tier 2 capital subject to grandfathering limits. The securities would, in the event of winding-up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer.

The original £30m of Tier 2 notes paid interest at a rate of 7.25% per annum, payable semi-annually in arrears, and the interest rate on this liability was reset in May 2023 at its 5-year call date to 9.71%.

On 27 June 2023 the Bank issued a further £25m of Subordinated Tier 2 notes. The notes pay an annual fixed coupon, with interest accruing at an annual interest rate of 14% payable semi-annually in arrears and have a maturity date of 27 December 2033.

On the 15 October 2025 the Group executed repurchase and cancellation of the £30m 9.71% Tier 2 notes previously due to mature 10 May 2028 and the issuance of a further £55m Subordinated Tier 2 notes. The notes pay an annual fixed coupon, with interest accruing at an annual interest rate of 8.125% payable semi-annually in arrears and have a maturity date of 15 January 2036. The early cancellation of the original notes incurred a premium on settlement (Note 11).

The Group did not have any defaults of principal or interest or other breaches of covenants with respect to its subordinated liabilities during the years ended 31 December 2025 and 31 December 2024.

38. Provisions

See accounting policy in note 7.20.

The following table sets out provisions as at the year end:

| Group and Bank | Discretionary Commission Arrangements |
|---------------------------------------|--|
| | £000 |
| Balance as at 1 January 2025 | - |
| Provisions made during the year | 2,150 |
| Balance as at 31 December 2025 | 2,150 |

The FCA's review of historical motor finance commission arrangements progressed during 2025 and the FCA consulted on a compensation scheme for customers with final guidance expected in Q1 2026. In 2024, it was concluded that this matter was a contingent liability under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

As at 31 December 2025, a further detailed assessment against IAS 37 was performed, which determined that the criteria for a provision had been met and a £2.15m provision was recognised. The provision reflects management's best estimate of the expenditure required to settle the obligation at the reporting date, based on available information, including developments in the regulatory

environment and relevant court decisions. There remains estimation uncertainty in respect of the timing and amount of potential cash outflows, which is dependent on the final form and implementation of any FCA redress scheme and the Group's affected customer population.

39. Analysis of changes in financing during the year

This section sets out an analysis of net debt and a reconciliation of the movements in net debt to cashflows arising from financing activities for each of the periods presented. This is a new disclosure in the current year and as such comparatives within this note are unaudited.

| Net debt | Group | Unaudited Group | Bank | Unaudited Bank |
|--|----------|-----------------|----------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| | £'000 | £'000 | £'000 | £'000 |
| Finance Lease Liability | (2,900) | (3,462) | (2,900) | (3,409) |
| Subordinated Liabilities | (81,669) | (56,085) | (81,668) | (56,085) |
| Other Equity Instruments attributable to non-controlling interests | (17,030) | (17,030) | (17,030) | (17,030) |

| Group and Bank | Liabilities and Equity from Financing activities | | | |
|--|--|--------------------------|--|-----------|
| | Finance Lease Liability | Subordinated Liabilities | Other Equity Instruments attributable to non-controlling interests | Total |
| | £'000 | £'000 | £'000 | £'000 |
| Net debt as at 1 January 2025 | (3,462) | (56,085) | (17,030) | (76,577) |
| Financing Cashflows | 788 | (25,000) | 1,518 | (22,694) |
| Changes in fair value | - | (405) | - | (405) |
| Other changes | | | | |
| Interest expense | (228) | (6,394) | (1,518) | (8,139) |
| Interest payments presented as operating cashflows | - | 6,215 | - | 6,215 |
| Net debt as at 31 December 2025 | (2,900) | (81,669) | (17,030) | (101,598) |

39. Analysis of changes in financing during the year (continued)

| Group (unaudited) | Liabilities and Equity from Financing activities | | | Total |
|--|--|--------------------------|--|----------|
| | Finance Lease Liability | Subordinated Liabilities | Other Equity Instruments attributable to non-controlling interests | |
| | £'000 | £'000 | £'000 | |
| Net debt as at 1 January 2024 | (4,114) | (57,768) | (17,030) | (78,912) |
| Financing Cashflows | 725 | - | 1,517 | 2,242 |
| Disposal of lease liabilities | 190 | - | - | 190 |
| Changes in fair value | - | 1,811 | - | 1,811 |
| Other changes | | | | |
| Interest expense | (263) | (6,541) | (1,517) | (8,320) |
| Interest payments presented as operating cashflows | - | 6,413 | - | 6,413 |
| Net debt as at 31 December 2024 | (3,462) | (56,085) | (17,030) | (76,576) |

| Bank (unaudited) | Liabilities and Equity from Financing activities | | | Total |
|--|--|--------------------------|--|----------|
| | Finance Lease Liability | Subordinated Liabilities | Other Equity Instruments attributable to non-controlling interests | |
| | £'000 | £'000 | £'000 | |
| Net debt as at 1 January 2024 | (3,974) | (57,768) | (17,030) | (78,772) |
| Financing Cashflows | 710 | - | 1,518 | 2,228 |
| Disposal of lease liabilities | 116 | - | - | 116 |
| Changes in fair value | - | 1,811 | - | 1,811 |
| Other changes | | | | |
| Interest expense | (262) | (6,415) | (1,518) | (8,195) |
| Interest payments presented as operating cashflows | - | 6,413 | - | 6,413 |
| Net debt as at 31 December 2024 | (3,409) | (56,085) | (17,030) | (76,524) |

40. Capital

In order to protect customers as a regulated bank, the Group is required to hold a minimum level of capital. To date this has been achieved through equity issuances to our investors, Additional Tier 1 notes, Tier 2 notes, and retained earnings. This also provides the investment to build and grow the Group. This section provides information on the Group's share capital, retained earnings and other equity balances. It also provides a breakdown of the Group's regulatory capital position.

Managing capital risk

Capital risk is the risk that the Group has insufficient capital resources to meet its capital requirements and to absorb unexpected losses if they were to occur. Causes of inadequate capital could include lending origination volumes far exceeding expectations, suffering a high level of default on loans already made by the Group, or by having large unexpected operating costs for the business (including operational risk events).

Capital is one of the key measures of the Group and the Board sets capital risk appetite. Capital is actively managed with regulatory ratios being a key factor in the Group's planning processes and stress analysis.

The principal committee at which the Group's capital is scrutinised and managed is ALCO. The Board and the Board's Risk Committee also receive metrics, monthly forecast of capital positions and commentary on capital risk. The Group refreshes its ICAAP on an annual basis, which includes a four year forecast of the Group's capital position.

The ICAAP is used to inform the future capital strategy and is submitted to the PRA following Board scrutiny and approval. Periodic shorter term forecasts are also undertaken to understand and respond to variations in actual performance against plan.

In order to avoid breaching a regulatory capital measure, a Board approved 'Management Buffer' of additional capital is imposed above the regulatory threshold. Unlike the regulatory limits, the 'Management Buffer' is designed to be utilised in a controlled manner when required.

The Group monitors its key capital metrics monthly, these include CET1 Ratio, surplus of capital resources over capital requirements and Leverage Ratio, and these allow the Bank to be able to effectively manage its capital resources.

Capital metrics are produced monthly to assess the current and projected capital. Since baseline projections are based upon future capital raises, an additional, stressed projection is also produced, which shows the potential capital position in the event capital raises were to prove impossible.

During 2025, the Group complied in full with all its externally imposed capital requirements. Note 41 provides information on capital and reserves per the IFRS balance sheet, with a reconciliation to the regulatory definition of capital.



41. Capital and reserves

(a) Share Capital

See accounting policy in note 7.23

Group and Bank Issued and fully paid

| | Ordinary shares of £1 each | |
|--------------------------------|----------------------------|----------------|
| | 2025 £000 | 2024 £000 |
| In issue at 1 January | 139,828 | 139,828 |
| Issued for cash | - | - |
| In issue at 31 December | 139,828 | 139,828 |

There were no Ordinary A shares issued during 2025 (2024: £Nil). The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All ordinary shares are ranked equally with regards to the Bank's residual assets.

The following shows the regulatory capital resources managed by the Bank.

| | Group 2025 £000 | Bank 2025 £000 | Group 2024 £000 | Bank 2024 £000 |
|---|-----------------------|----------------------|-----------------------|----------------------|
| Share capital | 139,828 | 139,828 | 139,828 | 139,828 |
| Share premium | 196 | 196 | 196 | 196 |
| Retained earnings | 280,663 | 279,495 | 218,194 | 220,179 |
| Accumulated other comprehensive income | (2,182) | (2,182) | (2,674) | (2,674) |
| Intangible assets | (13,949) | (13,949) | (14,907) | (14,712) |
| IFRS9 transitional arrangement | - | - | 1,613 | 1,178 |
| Adjustments to CET1 due to prudential filters | 2,181 | 2,181 | 2,672 | 2,672 |
| Securitisation positions | (7,857) | (7,857) | (7,875) | (7,875) |
| Investment in subsidiaries | - | - | - | (38,203) |
| Common Equity Tier 1 Capital | 398,862 | 397,694 | 337,047 | 300,589 |
| Capital securities | 17,030 | 17,030 | 17,030 | 17,030 |
| Total Tier 1 Capital | 415,892 | 414,725 | 354,077 | 317,619 |
| Tier 2 Capital | 80,000 | 80,000 | 45,131 | 45,131 |
| Total Capital | 495,892 | 494,725 | 399,208 | 362,750 |

41. Capital and reserves (continued)**(b) Cashflow hedge reserve**

The hedging reserve comprises the effective portion of the cumulative net change in fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit and loss (See Note 24)

(c) Other equity instruments

See accounting policy in note 7.24

| Group and Bank | 2025 £000 | 2024 £000 |
|---|----------------------|----------------------|
| 8.838% Fixed Rate Reset Perpetual Additional Tier 1 Write Down Securities | 17,030 | 17,030 |
| Other Equity Instruments | 17,030 | 17,030 |

Capital securities

£17m Additional Tier 1 securities were issued and fully paid up on 28 February 2022, as part of the consideration for the acquisition of HTB Leasing and Finance Limited. The notes pay an annual fixed coupon, with interest accruing at an annual interest rate of 8.838% payable semi-annually in arrears and have a maturity date of 27 December 2033

During the year ended 31 December 2025, the Group paid all interest when scheduled, totalling £1.5m (2024: £1.5m). This is recognised directly in equity.

42. Related party transactions

Related parties of the Group include subsidiaries, Key Management Personnel, close family members of Key Management Personnel and entities which are controlled, jointly controlled or significantly influenced, or for which significant voting power is held, by Key Management Personnel or their close family members. Key Management Personnel are defined as the Directors.

a) Transactions with Directors

The compensation of the Directors is provided in note 14.

Directors during the year directly and indirectly held A and G ordinary shares in Hoggant Limited as at the year end.

G shares are a new class of share for 2025, no directors held any B Shares as at 31 December 2025 following their repurchase.

Total deposits of £78k are held by the Bank from related parties of Directors as at 31 December 2025 (2024: £85k).

b) Other related party transactions

The value of intercompany loans from the Bank to subsidiaries at the 31 December 2025 are provided in notes 35-36. The value of interest earned on intercompany loans is provided in note 8.

During the year the Bank has paid monthly service fees totalling £1.7k (2024: £9k) to HTB Leasing and Finance Limited for the continued servicing of the portfolio.

The value and nature of Management recharges to subsidiaries recognised through the Bank's Other income is provided in note 12.

During the year ended 31 December 2025 the Bank received dividends from HLF of £26.5m (2024: £11.0m) and recognised impairment losses of £26.5m (2024: £11.2m) as included in note 13.

43. Investment in subsidiaries

HTB has the following direct investments in subsidiaries as at 31 December 2025:

| | Country Incorporation | Class of shares held | Ownership | Principal Activity | Registered address |
|-------------------------|----------------------------------|---------------------------------|------------------|---|--|
| Hampshire Bank Limited | England | A | 100% | Dormant | 80 Fenchurch Street, London, EC3M 4BY |
| HTB Leasing and Finance | England | A | 100% | Provision of Commercial and personal lending | 80 Fenchurch Street, London, EC3M 4BY |

HLF paid dividends totalling £26.5m to HTB during 2025, due to the run-off nature of HLF, this payment was in excess of the retained profits during the year and hence resulted in triggering an impairment assessment under IAS 36. Using a fair valuation methodology in-line with IFRS 13 (incorporating techniques such as discounted cash flow analysis) to determine its recoverable amount, an impairment of £26.5m was recognised in the HTB's separate financial statements during 2025 (2024: £11.2m) as the recoverable amount calculated as the fair value less cost of disposal was below the cost recognised in HTB's separate financial statements. Going forward, any future dividend declarations exceeding the subsidiary's future retained earnings, or any material changes in the run-off strategy, could lead to additional impairment being recorded.

HTB had the following indirect investments in subsidiaries as at 31 December 2024. These entities were liquidated during 2025. The 100% indirect investments listed in the table below were liquidated on 25 March 2025 and Serco Paisa Limited was liquidated on 4 March 2025, all of which were members voluntary liquidations.

43. Investment in subsidiaries (continued)

| | Country Incorporation | Registered number (where S479A exemption is taken) | Ownership | Principal Activity | Registered address |
|---------------------------|--------------------------|---|-----------|-----------------------|--|
| Syscap Holdings | England Limited | 05740449 | 100% | Dormant | 80 Fenchurch Street, London, EC3M 4BY |
| Syscap Limited | England | 02471568 | 100% | Dormant | 80 Fenchurch Street, London, EC3M 4BY |
| Syscap Group Limited | England | 03132650 | 100% | Dormant | 80 Fenchurch Street, London, EC3M 4BY |
| Syscap Leasing Limited | England | 02718043 | 100% | Dormant | 80 Fenchurch Street, London, EC3M 4BY |
| Serco Paisa Limited | England | - | 50% | Dormant | 80 Fenchurch Street, London, EC3M 4BY |

44. Involvement with unconsolidated structured entities

The Group entered a securitisation transaction in November 2024 that resulted in the transfer of financial assets (loans and advances to customers). The transferred financial assets have been derecognised in their entirety in compliance with the requirements under IFRS. The total amount of these loans at the time of transfer was £300.2m. A gain of £10.4m was recognised as exceptional gain in profit or loss as the consideration net of transaction costs was £310.6m.

The transaction's design ensures that HTB retains no significant risks or rewards associated with the securitised assets, meeting the derecognition criteria under IFRS 9. HTB's exposure is limited to servicing fees given loans were derecognised following confirmation that HTB no longer retains control, exposure to variable returns, or the ability to influence these returns through its involvement.

The following table describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

| Type of structured entity | Nature & purpose | Interest held by Group |
|---------------------------|---|---|
| Winchester 1 PLC. | HTB sold the beneficial ownership of buy-to-let mortgage loans at fair value to a newly incorporated, bankruptcy remote, special purpose vehicle to free up regulatory capital. | Service fees earned from unconsolidated structured entities |

Securitisation
Vehicle for loans and advances

| Group and Bank | 2025 £000 | 2024 £000 |
|--|--------------|--------------|
| Fee income earned from securitisation vehicles | 275 | 50 |
| Total | 275 | 50 |

44. Involvement with unconsolidated structured entities (continued)*Transfers of financial assets**Transferred financial assets that are derecognised in their entirety*

As part of the securitisation transaction, the Group transferred substantially all the risks and rewards of ownership to an unconsolidated securitisation vehicle. The Group continues to service the transferred financial assets and receives a servicing fee. Under the servicing arrangements, the Group collects and transfers the cash flows on the transferred mortgages to the SPV on behalf of the unconsolidated securitisation vehicle.

The servicing fees are based on a fixed percentage of 0.10% p.a., payable quarterly, on the carrying value of the securitised loans.

Potentially, a loss from servicing activities may occur if the costs that the Group incurs in performing the servicing activity exceed the fees receivable or if the Group does not perform in accordance with the servicing agreements. Given HTB is not considered to be exposed to significant variable returns from the transaction, the potential maximum loss thus for the Group roughly £0.3m i.e. the maximum amount of servicing income it will lose.

45. Ultimate parent company

The Bank is a subsidiary undertaking of Hoggant Limited, which is incorporated in England and Wales and is the largest company in which the results of the Bank are consolidated. The majority of Hoggant Limited's equity is owned by Hoggant L.P. a limited partnership incorporated in Guernsey. Hoggant L.P. is not controlled by a single party and is majority owned by funds managed by Alchemy Special Opportunities (Guernsey) Limited. The consolidated financial statements of Hoggant Limited are available on request from 80 Fenchurch Street, London, EC3M 4BY.

Glossary



Glossary (unaudited)

Financial Performance Indicators

Certain Financial Measures disclosed in the Annual Report and Accounts do not have a standardised meaning prescribed by international accounting standards and may not therefore be comparable to similar measures presented by other issuers. These measures are considered 'alternative performance measures' (Non-GAAP financial measures) and are not a substitute for measures prescribed by international accounting standards. Definitions of financial performance indicators referred to in the Strategic Report (in alphabetical order) are set out below.

Average principal employed

Calculated as the average Loans and Advances to customers held at amortised cost and fair value.

Blended cost of funds (after hedging)

Rate of interest payable on average funding excluding Tier 2 adjusted for interest on interest rate swap liabilities.

Common Equity Tier 1 Ratio (CET1 Ratio)

Common equity tier 1 capital (Note 41) divided by risk-weighted exposure as reported per the current year end COREP Submission.

Cost of Risk

Impairment on financial assets and net loss or gain on loans held at fair value through profit or loss (Note 10) divided by average principal employed.

Cost to Asset Ratio

Administrative expenses divided by average principal employed.

Cost to Income ratio

Calculated as administrative expenses divided by operating income excluding net gain or loss on loans held at fair value through profit and loss.

Coverage ratio

The allowance for impairment expressed as a percentage of gross loans and advances at amortised cost.

Gross income margin

Total interest and similar income (Note 8), operating lease income (Note 9) fees and commission income (Note 9) and net loss or gain on loans & other financial assets at fair value through profit or loss (note 10), Net gain (loss) arising from derecognition of Financial assets measured at amortised cost (note 11) and other income (note 12) divided by average principal employed.

Leverage ratio

Tier 1 Capital divided by the exposure measure. Exposure measure is the total value of on balance sheet items, Off balance sheet items (converted to exposure using CCFs) and derivatives.

Liquidity Coverage Ratio ('LCR')

The ratio of the stock of high-quality liquid assets to expected net cash outflows over the following 30 days. High-quality liquid assets are unencumbered, liquid in markets during a time of stress, and ideally, central bank eligible.

Loan to deposit ratio

Loans and advances to customers held at amortised cost and fair value divided by customer deposits.

Net Interest Margin (NIM)

Net interest income divided by average principal employed.

Net Revenue Margin

Operating income excluding net loss or gain on loans held at fair value through profit or loss, divided by average principal employed.

Return on equity (post-tax)

Return on equity (post-tax) is calculated as profit post tax for the year divided by average equity.

Return on Required Equity

Return on Required Equity is calculated as profit post tax for the year divided by average required equity.

Return on Tangible Equity (post tax)

Return on Tangible Equity is calculated as profit post tax for the year excluding amortisation divided by average tangible equity. Tangible equity is defined as total equity less goodwill and other intangible assets.

Required Equity

The amount of regulatory equity needed to achieve the required minimum common equity tier 1 ratio.





Risk-weighted asset (RWA) density

The ratio of RWA to customer loans provides a measure of riskiness of assets.

Total Capital Ratio

Common Equity Tier 1 plus Tier 2 debt and Additional Tier 1 divided by total risk weighted exposure.

Underlying Cost to Asset Ratio

Administrative expenses net of management recharges (note 12) divided by average principal employed.

Underlying Gross Income Margin

Total interest and similar income (Note 8), operating lease income (Note 9), fees and commission income (Note 9) and net loss or gain on loans & other financial assets at fair value through profit or loss (Note 10) and other income excluding Management recharges (Note 12) divided by average principal employed.

Underlying Cost to Income Ratio

Administrative expenses net of management recharges (Note 12) divided by operating income excluding net gain or loss on loans held at fair value through profit and loss (Note 10) and Net gains arising from derecognition of financial assets measured at amortised cost (Note 11) and management recharges (Note 12).

Underlying Net Revenue Margin

Operating income excluding net loss or gain on loans held at fair value through profit or loss (note 10), management recharges (Note 12) and Net gain arising from derecognition of financial assets measured at amortised cost (note 11), divided by average principal employed.

Underlying Operating Income

Operating income excluding management recharges (Note 12).

Definitions

| | |
|-----------------------------|--|
| CBILS | Coronavirus Business Interruption Loan Scheme |
| CPI | Consumer Price Index |
| CRD IV | Capital Requirements Directive |
| CRE Price | Consumer Retail Estate Price |
| Customer Satisfaction Index | This is a measure of customer satisfaction and the quality of customer service. The index is independently compiled by the Institute of Customer Services. |
| EAD | Exposure at default |
| ECL | Expected Credit Losses |
| ESG | Environmental, social and governance |
| FVOCI | Fair value through other comprehensive income |
| FVTPL | Fair value through profit and loss |
| GDP | Gross Domestic Product |
| HPI | House Price Index |
| IAS | International Accounting Standard |
| IASB | International Accounting Standard Board |
| IBOR | Interbank Offered Rate |
| ICAAP | Internal Capital Adequacy Assessment Process |
| IFRSs | International Financial Reporting Standards |
| ILAAP | Individual Liquidity Adequacy Assessment Process |
| ILTR | Indexed Long-term repo |
| ISA | Individual Savings Accounts provided by the Savings division |
| KMP | Key Management Personnel |
| LGD | Loss given default |
| LIBOR | London interbank offered rate |
| LTI | Long term Incentive |
| LTV | Loan-to-value ratio |
| MRT | Material Risk Taker |

| | |
|--------------------|--|
| Net Promoter Score | This is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. It is used as a proxy for gauging the customer's overall satisfaction with a company's product or service and the customer's loyalty to the brand. |
| OCI | Other comprehensive income |
| PD | Probability of default |
| POCI | Purchased or originated credit impaired |
| PPE | Property, Plant and Equipment |
| RAF | Risk Appetite Framework |
| RFR | Risk-free rate |
| RMF | Risk Management Framework |
| SECR | Streamlined Energy and Carbon Reporting |
| SMF | Senior Management Function |
| SPPI | Solely Payments of Principal and Interest |
| T1 | Tier 1 |
| T2 | Tier 2 |
| TFSME | Term Funding Scheme with Additional Incentives for SMEs |





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