



Connecting our communities with a better financial future

Annual Report and Accounts 2025



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**Our approach
to strategy
delivers a truly
Purpose-led
business**

Performance Highlights 2025

£98k+

In community grants distributed through Community Funds

(2024: £140k+)



£5.9bn

Savings balance

(2024: £5.4bn)



£23.4m

Operating profit before impairments

(2024: £34.2m)

£22.6m

Profit before tax

(2024: £15.7m)



New mortgage customers

5,800

(2024: 5,350)

Completion and opening of flagship branches for the Newcastle Building Society and Manchester Building Society brands

9,000+

Colleague volunteering hours

(2024: 10,000+)

11.7%

Common Equity Tier 1

(2024: 12.2%)

174

Individuals Supported through Helping Hand

(2024: 188)



£1.2bn

Gross residential lending

(2024: £1.2bn)



97%

Overall customer satisfaction

(2024: 96%)

+48

Colleague engagement score

(2024: +49)

"Across the whole Group we have demonstrated continued delivery of our Purpose."

Regardless of their size or industry, most modern organisations face a shared truth; that change is not optional. Whether it's building digital capability, responding to the opportunities and threats arising from the AI revolution, or addressing rapidly evolving consumer trends: the strategic reality is that adaptability and agility are vital attributes of any successful business.

Change is underway at our Society. We have ambitious growth plans and we are on a journey to accelerate the impact we make with our distinct version of mutuality. I am pleased that in a year characterised by uncertainty (uncertain global geopolitics, uncertain UK economic growth and uncertainty around Government policy), the Society has made progress on those ambitions. This includes several confident investments in our future, updates to the way the business is organised, and further embedding of the culture and behaviours that will enable the Society to increase the impact and value we create for Members and communities.

Across the whole Group we have demonstrated continued delivery of our Purpose.

In the North West we have delivered on our promise to bring the Manchester Building Society brand back to the high street. Our intent in Greater Manchester is to build something unique to the North West, using local talent, local ideas, and local expertise to connect the communities in those boroughs with a better financial future. The opening of our flagship Manchester Building Society branch in Manchester city centre was a proud moment for the whole Group as such a huge amount of work has taken place since the merger with Manchester Building Society was first considered.



In the North East, our new flagship Newcastle Building Society branch at Monument in Newcastle city centre represents a huge vote of confidence in our model, and our commitment to providing accessible face-to-face services. The branch stands apart from any other facility in the city region, with a bold ambition to bring our communities together; to build trust and spark the conversations that will lead to their better financial futures.

Income growth has been strong across the Group. There was significant ongoing investment in people, technology and processes during the year as we continued to make good progress in replacing inefficient systems and processes and implementing the digital capabilities that are key to future performance and service quality, while maintaining our commitment to high streets and face-to-face service. The short-term impact through the delivery phase of these new capabilities, together with the increased operating costs of the outgoing systems and procedures, resulted in a reduction in the Group's underlying operating profit versus 2024 and an overall loss before tax for the year in Newcastle Strategic Solutions.

How we organise ourselves as a Group to be in the right shape for our future is also a key factor in progress towards greater efficiency and presents multiple opportunities for the Society. To make the most of those opportunities during the year, several key changes were made, which included reshaping the Executive team to fit the future needs of the organisation. I am delighted with the new leadership structure and the experience and skill each new appointment brings to the Group.

Board matters

There are several key changes to the Board make-up, occurring as a result of our natural succession cycle and as part of our work to refresh and renew the expertise and knowledge the Board can contribute to the changing needs and focus of the Society.

David Samper, Amanda Shepherd and Stuart Miller moved on to pursue new opportunities in 2025, stepping down as Executive Directors. Chris Keay, our Chief Risk Officer, joined the Board as an Executive Director to provide continuity through this period of change, ahead of his planned retirement from executive life at the end of March 2026.

Due to other commitments, Michele Faull stepped down as a Non-Executive Director in April 2025 and Moorad Choudhry stepped down as a Non-Executive Director in November 2025.

Longstanding Board members, Anne Shiels and Bryce Glover have both reached the end of their tenure as Non-Executive Directors and will stand down following the 2026 Annual General Meeting.

I'd like to thank all of them for their contributions to the Board and wish them all the best for the future.

These changes bring the opportunity to add new expertise and bring new ideas to the Society. Karen McDonagh Reynolds joined the Board in April 2025 and stands for election at the 2026 Annual General Meeting. Karen brings substantial experience gained over two decades of senior technology and operational leadership across both regulated industries and the not-for-profit sector.

In December 2025 we also welcomed Richard Gabbertas to the Board, who will stand for election at the 2026 Annual General Meeting. Richard brings extensive experience in financial services and regulatory insight and will be a valuable addition to the team.

Also joining the Board is the Society's new Chief Financial Officer, Andrew Conroy, who we welcomed to the business in February 2026. Andrew's appointment follows Paul Astruc's tenure as interim Chief Financial Officer, which ended in December 2025, and I would like to recognise Paul's significant contribution to the Society during his short time with us, while we finalised a permanent appointment to the role.

Regulatory update

Towards the end of 2025, the Bank of England, the Prudential Regulation Authority (PRA), and the Financial Conduct Authority (FCA) published their proposals to support the mutuals sector, highlighting the emergence of regulatory tailwinds which could have a material positive impact on building societies' ability to compete, innovate and grow.

The PRA's decision to discontinue the Building Societies Sourcebook indicates a shift towards a more proportionate regulatory regime and the creation of a more level playing field for building societies. The Bank of England and FCA's joint proposal to launch a Mutual Societies Development Unit should encourage growth across the mutual sector.

These are positive developments but the responsibility for sector growth sits with the organisations themselves. The need for continued innovation and ambition across the mutual sector is clear, as is the opportunity to evidence the ways in which the mutual model is increasingly relevant in the modern world, to all generations.

Looking ahead

Your Board continues to have full confidence in the strategic approach of the Group, and we can clearly see the success of the model as we grow and in the value we are creating for Members and their communities.

More than ever, the Society needs to exhibit agility in the face of new challenges. Your Board will continue to support the investment required to deliver the changes required as we organise the Group and create the right structure to make the most of future opportunities.

I'm grateful to all our Members and partners for their continued support and feedback which helps drive the Society forward. As ever I would like to thank the colleagues across the Group who continued to work so hard throughout the year serving our customers and communities.

James Ramsbotham

Chair

5 March 2026

"We recognise the importance of listening to Members and taking the time to understand their priorities and concerns."

2025 was a year of further growth and substantial investment in all areas of our Group, ensuring that we have the people capabilities, the technology and the physical presence to continue in the delivery of our Purpose for current and future generations of Members.

Progress was manifested very visibly in the re-launch of the Manchester Building Society brand, taking our distinct approach to delivering Member value to the North West and in the opening of our new flagship branch at Monument in the very centre of Newcastle. We also saw continued growth of our savings management outsourcing subsidiary, Newcastle Strategic Solutions, which is now managing record balances in excess of £52bn on behalf of its bank and building society clients.

We have continued to invest in people, growing the number of colleagues, particularly, within the Solutions business to support the increased client activity. Behind the scenes we have advanced our multi-year, multi-million-pound programme to replace ageing technology with modern and flexible systems across the Group. We are investing significantly in an upgrade of our customer facing technologies, to bring an enhanced experience for those engaging with us through digital channels, together with new product capabilities and to bring more efficient systems to support our branch colleagues. Progress has been strong, with a number of the new capabilities now fully operational and already having a positive impact.



Strategy

We continue to execute the strategy that drives our Purpose-led, place-based building society Group for the long-term benefit of our Members and their communities. In 2025 we've consistently created value for Members whilst delivering a commercially successful and sustainable business model; generating the necessary profit to enable reinvestment into the business to provide long-term stability and power our growth ambitions.

Across the Group, we are united by shared values and driven by a common Purpose – to connect our communities with a better financial future:

- We help people to own their own home, to save and to plan their finances.
- We build lasting authentic relationships with customers, clients and partners.
- We foster inclusion, diversity and positive change at work and in our communities.
- We aim to deliver a great place to work where people are empowered to realise their potential.
- We care about sustainability for future generations.

Our focus on providing accessible, face-to-face service through our branch network continues to build long-term, stable Member relationships, which are the foundation on which we grow our business. Strategy is built upwards from our high streets, towns and regions; attracting new customers and providing outstanding levels of service, satisfaction and value to our Members through our branches, supported with digital capabilities delivered by our Newcastle Strategic Solutions subsidiary. The growing levels of savings balances we attract and retain through our branch network help to fuel our lending activity. The success of this accessible, familiar and local presence completely contradicts the mantra of the big banks which continue to close their high street branches and also provides an excellent outlet to grow our financial advice business, providing this much needed service for the benefit of ordinary people within our communities.

For more detail on our strategy and how this comes to life across the Group, please see the Strategic Report.

Delivering sustainable value for Members

We continue to use the Mutual Value Measurement Framework to guide our approach to reporting the Member value we deliver. For 2025, we have again simplified the framework to three broad areas:

Product value, service and accessibility

We remain absolutely committed to offering our Members consistent, good value savings interest. I am pleased to report that over the 12 months to December 2025 our savings rates were 0.60% (2024: 0.56%) higher than the market average of 3.03%, (source: CACI), equating to an additional £32.8m of interest for our savings Members over the same period (2024: £28.1m). The impact of focusing on providing high street savers with good value is evidenced by the fact that over the 12 month period to December 2025, our branch savings balances have grown at more than double the rate of the market average across all channels, including online.

We also continue to offer good value mortgage pricing; our residential standard variable rate (SVR) remains one of the most competitive on the market, and at the end of 2025 was 6.50% (2024: 6.94%) compared to a market average SVR of 7.20% (source: Moneyfacts). Our average SVR throughout the year was 6.67% (2024: 6.94%), compared to a market average of 7.44% (source: Moneyfacts) which means that our SVR borrowers saved more than £1.6m in additional interest (2024: £2.8m).

Our focus on helping people own their own home means supporting those underserved by the wider market. Last year we introduced our innovative First Step mortgage, offering first time buyers the option to borrow up to 98% of their home's value with a minimum deposit of just £5,000. First Step is targeted specifically at borrowers who've successfully saved a small deposit, helping them get into their first home faster.

We remain steadfast in our commitment to the provision of accessible face-to-face financial services on our regions' high streets and in our communities. In July 2025 we opened our new flagship Newcastle Building Society branch. The multi-million-pound investment into Monument branch brought all five floors of the building back into public use. As well as a fantastic branch space in the heart of the city, the facilities available at Monument inspire and enable collaboration, bringing our partners and communities together, helping us drive positive change in the city and beyond. North East Mayor, Kim McGuinness joined us on opening day at Monument, highlighting that our investments in the North East align well with the Combined Authority's own focus on communities and our regions high streets.

In Manchester, our first new branch under the Manchester Building Society brand opened in September. The three-storey branch, in King Street, is a powerful signal of our intent in Greater Manchester, in the beating heart of the city. The attendance of Greater Manchester Mayor Andy Burnham at the launch event was a ringing endorsement of our approach. The ground floor branch space provides space for customer conversations where we can provide financial advice for all, while the upper floor provides hybrid offices facilities for the growing Manchester Building Society team. King Street branch is a space where people who care about their place can come together, with one whole floor free for local community groups and charities to use.

Both Monument and King Street branches have been designed to warmly welcome people into the branch, and to encourage visitors to the high street by providing space and facilities for their regions' civic and charity groups. This approach builds on our long-standing innovation around branches. Half our branch network provides free-to-use community rooms to local groups, and our community partnership branches, which share space with other local services, continue to thrive.

This commitment to being present in our places, and the excellent work of colleagues across the business is evidenced in our outstanding customer satisfaction score, which at the end of 2025 was 97% (2024: 96%). Our record-high net promoter score (NPS) of +87 (2024: +86), demonstrates a high willingness by Members to recommend the Society to others.

Our Newcastle Financial Advisers subsidiary ensures that regulated financial advice is available on our regions' high streets, for all our Members and communities. Delivered through our branch network, in our local communities, and in our regions' workplaces, we aim to make advice as inclusive as possible, with no minimum investment levels and face-to-face appointments supporting the strong ongoing demand for accessible and trusted advice.

Newcastle Financial Advisers continues to see an increasing need and demand for financial advice, supporting customers with all aspects of their financial planning, particularly around pensions and retirement planning, as well as investment, inheritance tax and protection advice. We believe that financial advice should be available to everyone, not just the wealthy, therefore we do not apply any minimum thresholds for the provision of advice.

The value of the advice provided to Newcastle Financial Advisers' customers is reflected in the continued high level of customer feedback and advocacy received. Newcastle Financial Advisers achieved VouchedFor's 'Top Rated Firm' status for the fourth consecutive year along with winning VouchedFor's 'Client Impact Award'. Both awarded based purely on customer feedback received and the difference our financial advice service is making to customers' financial futures. For more detail on our approach to the provision of face-to-face financial services in our communities, please see the Strategic Report.

Membership and community

As a Member-owned organisation we recognise the importance of listening to Members and taking the time to understand their priorities and concerns. In 2025 I very much enjoyed attending the six Member listening events held in communities around our region attended by more than 130 Members. More than 70 colleagues, including Board members and Executive leaders, met with Members in a relaxed setting to understand their priorities and concerns.

Concerns about bank branch closures feature prominently during these events, as do conversations about the value that customers continue to place on their savings passbook. I was delighted to be able to assure customers that branches and face-to-face service remains at the heart of our strategy and that we will not only look to grow our number of physical outlets, we will also continue to innovate in this area. We've made a commitment to continue to offer passbooks to customers as long as a significant number of Members consider them to be worthwhile. As part of a wide range of services we offer, it's clear that people continue to see passbooks as an accessible, trusted, and convenient way to manage their money.

During 2025 we continued to engage with our Members through our 'Connected Communities' online engagement platform. This provides a space for Members and those based in the communities to provide feedback and help to shape the future of the Society. We have more than 900 panellists for Newcastle Building Society and more than 200 for Manchester Building Society.

Our 'Voice of the Customer' programme provides daily, real-time feedback from our customers, helping us to continue to develop and improve the service we deliver. In 2025, we received over 24,500 responses from our customers across all our channels including the branch network, digital savings, mortgage operations, mortgage advice, mortgage intermediaries and our financial advice subsidiary, Newcastle Financial Advisers. We use this feedback to inform our product development and improve the services we provide.

We've continued to support Members and their communities through several strategic partnership initiatives. While 2024 included exceptional levels of community and charitable activity, including the one off £1m donation to the North East Community Fund, our commitment to supporting Members and their communities has remained strong throughout 2025.

Our Helping Hand service, which is delivered by Citizens Advice Gateshead provides fast and free guidance, advice and practical assistance on a wide range of issues. During 2025 the service supported more than 170 individuals, helping to unlock more than £350,000 in additional income through advice which included eligibility for benefits and welfare support.

Beyond the value we create at a personal level for Members, every Member, colleague, branch, and partnership plays a role in delivering our Purpose. One of the ways we seek to make a lasting positive difference in our regions is through the provision of sustainable, consistent and meaningful grant funding to local charities. In the North East our long-term partnership with the Community Foundation North East has helped grow the Group's Community Fund to more than £3.7m, with almost £70,000 in grants issued to 15 charities working to tackle our areas of strategic focus, work and opportunity, and financial confidence.

In the North West, during 2024, we created a new partnership with Forever Manchester to bring local expertise and knowledge to our community support. Working with Forever Manchester, we made an initial donation distribution of £100,000 in 2024 to fund small grants to local charities and community groups across the Greater Manchester boroughs. In 2025, 10 grants were awarded totalling £30,000, focusing on projects that provide work and opportunity support services, especially those that also foster diversity and inclusion.

Across our regions, we have maintained our focus on sustainable and targeted community impact through ongoing partnerships, grant making and colleague involvement. Although activity levels naturally normalised following last year's exceptional total charitable contribution of £1.5m, our support this year has continued to address local priorities, strengthen financial confidence and create opportunities for people to thrive.

Partnerships and employment

In addition to the impact we make through grant-giving, we aim to build financial confidence and support work and opportunity outcomes through dedicated regional partnerships.

We continue to work with Newcastle United Foundation across various initiatives and in particular their flagship programme, NU Futures. Working alongside the Foundation's team, Society colleagues continue to deliver financial confidence workshops in schools and other settings. Dedicated work and opportunity sessions allow colleagues to share their professional skills and life experiences, supporting with mock interviews, career conversations, and interview preparation.

In the North West we established a new partnership with EMPOWER, who provide thousands of young people somewhere safe to go, the opportunity to take part in positive activities, and access to someone trusted to talk to. As part of a four-year patron donor commitment to EMPOWER, in 2024 we donated £100,000 to help fund their activities and colleagues are working with their Youth Zone in Salford to help young people build their financial know-how and develop useful new skills.

As a prominent employer in the North East, and with our ambition to build our presence in the North West, we remain focused on building a diverse workforce which represents all our communities, and a culture where every colleague feels they belong. To meet our growth ambitions, the Board have recognised the importance of evolving that culture, so work has continued throughout 2025 to embed our 'Be the Change' culture programme alongside work to optimise and refine our operating model. These organisational changes will have a lasting positive impact and will ensure the organisation remains ready to deliver on our long-term ambitions. Given the impact that change has within any organisation, it's understandable that our colleague net promoter score has seen a small decrease to +48 at the end of 2025 (YE 2024: +49).

For further detail on how we support our people, please see the Strategic Report.

Financial performance

In 2025 the Group continued to grow its Balance Sheet, invest purposefully to deepen relationships with, and enhance services for, Members and clients and to deliver long-term sustainability.

Total assets grew to over £7bn (2024: £6.6bn), supported by strong mortgage lending of £1.2bn (2024: £1.2bn) and further growth in retail savings, which increased to nearly £6bn (2024: £5.4bn). These results reflect continued trust from Members and our ability to offer competitive, good-value products even in a challenging environment.

This balance sheet growth supported an increase in net interest income and increased fee income in our subsidiary business (see subsidiary performance section below for further details).

Our investment programme, focused on our two flagship branches, digital capability, operational resilience, and service enhancements, continued at pace, ensuring we build a stronger, more efficient organisation that can support Members' needs long into the future. As a result of this investment, operational costs increased during the year, across staff costs and other administrative costs.

These increases in costs offset the strong income seen during the year, resulting in our underlying operating profit before impairment and provisions reducing to £29.7m (2024: £31.9m). The Group delivered a profit before tax of £22.6m, up from £15.7m in 2024, largely due to the non-recurrence of the one-off Philips Trust provision in 2024, partly offset by the cost impacts noted above and fair value movements on the instruments we hold at fair value.

Capital and liquidity remained strong throughout the year, supporting our long-term sustainability and regulatory obligations. The Common Equity Tier 1 ratio closed at 11.7% (2024: 12.2%), in line with planned balance sheet growth and comfortably above regulatory requirements. Liquidity remained robust with a Liquidity Coverage Ratio of 180% (2024: 229%).

Overall, 2025 was a year of purposeful growth and strategic investment, ensuring we remain well positioned to serve more Members, support more savers and borrowers, and continue delivering positive impact across our regions.

Subsidiary performance

Newcastle Strategic Solutions (Solutions) increased the number of savings accounts it manages to 1.8 million from 1.6 million in 2024 and grew its balances under management by £1bn to £52bn in deposits. As a market-leading provider of outsourced savings management and customer service, Solutions plays a pivotal role in the Group's strategy, underpinning our operating model through the efficiencies of scale it generates and the service excellence it delivers on behalf of clients. Its continued investment in technology, data and talent reinforces both its importance as a regional employer and its position as a critical enabler of the Group's long-term growth ambitions.

The Solutions business saw strong growth in income as a result but reported a loss before tax of £6.2m for 2025 (2024: £0.3m profit before tax); reflecting increased operating costs in the year driven by higher staff costs to support the growth and ongoing substantial investment which is transforming Solutions systems and processes to bring enhanced service, new levels of efficiency and product capabilities in future years.

Newcastle Financial Advisers delivered another year of strong performance, supporting nearly 12,000 customer appointments and growing assets under management to more than £1.2bn (2024: £1.1bn), reflecting both sustained demand for local, accessible financial advice and the strength of its inclusive, no-minimum-threshold model. Operating through our branch network, in local workplaces and communities, Newcastle Financial Advisers continues to play an important role in the Group, ensuring professional, face-to-face financial advice remains available to Members across our region.

Looking ahead

I'm both pleased and proud that we continue to make good progress in the delivery of our Purpose, visibly investing in the places we serve, our customer service, and our colleague experience. As the Group grows and evolves, we can clearly see the success of our strategy in the value we're creating for Members and our communities, and the positive impact we're having across our regions. It is of paramount importance that we have the right skills and leadership across the Group to build on the progress of recent years. I have been delighted therefore to welcome new members to the Executive team across finance, risk, technology and the commercial operations of the Group. This new team collectively brings experience, strengthened capability and the ambition required to realise the true potential of our unique strategy, embedded in Purpose and Place.

Looking ahead, in what seems to be an ever more uncertain and unpredictable world, there will be a number of economic and business headwinds for the Group to navigate in 2026. Controlling costs, while continuing the transformation of our systems and processes and investing in the growth of the organisation are all key areas of focus. With our progress to date and the strength of the new team that is now in place, I believe we are very well placed to address whatever challenges may lie ahead and to ensure that the Society and the wider Group will continue to thrive for the benefit of current and future Members and their communities.

Finally, I'd like to recognise all our colleagues who continue to work so hard each day, delivering for all our customers and clients. I'd also like to thank all our Members and partners for their ongoing support and I look forward to continuing our work as we strive to 'connect our communities with a better financial future'.

Andrew Haigh

Chief Executive

5 March 2026



**We remain
focused on
building a diverse
workforce which
represents all
our communities**



Strategic Report



Creating a workplace where people can thrive and realise their full potential



Strategic Report

Our Group

Across the Newcastle Building Society Group, we are driven by a common Purpose – ‘to connect our communities with a better financial future’. Our structure enables us to deliver a unique, place-based mutuality, with straightforward savings and mortgage lending at the heart of our model.

Newcastle Building Society is the beating heart of our business, operating 32 branches across the North East, North Yorkshire and Cumbria including our new five-storey flagship Monument branch in Newcastle city centre, which opened in July 2025.

Manchester Building Society is the newest addition to our Group, a trading name of Newcastle Building Society signalling an intent to build a regional network of collaborative mutual brands. With a new flagship branch on King Street, in Manchester city centre, our ambition is to grow in Greater Manchester and serve communities across the North West region.

Both Newcastle Building Society and Manchester Building Society retail brands seek to address the unique financial needs of their communities, working with local leaders and partner organisations to build impact and make a lasting positive difference in both regions.

What sets us apart is the provision of accessible and inclusive regulated financial advice, and market leading savings technology and service, delivered through our subsidiaries.

Newcastle Financial Advisers is an appointed representative of Openwork LLP and provides regulated financial advice on our high streets for all our Members and communities, playing a critical part in delivering our Purpose-led strategy with a financial adviser available in every branch. Unlike many UK banks and building societies, there is no minimum investment requirement, and customers are welcome to seek advice even if they choose to not take up our recommendations.

Newcastle Financial Advisers continues to grow its place on the high street with more than £1.2bn of assets under management and increasing demand for tailored advice on key life decisions including pensions and retirement planning, investment, inheritance and protection.

Newcastle Strategic Solutions (Solutions) provides an award-winning, full savings solution for some of the UK’s leading digital savings providers. Solutions manages 1.8 million savings accounts and £52bn in savings deposits on behalf of its clients, growing from 1.6 million savings accounts and £51bn in savings deposits in 2024.

Solutions plays an important part in helping to deliver our Purpose-led strategy through efficiencies of scale as the Society directly benefits from its investment in technology, resilience and infrastructure. In addition, Solutions is a large regional employer and an important source of talented colleagues for the wider Group.

Our Purpose and Strategy

Our Purpose

Connecting our communities with a better financial future.

Purpose and strategic pillars

As a sustainable mutual business, our success lies in the intersection between serving the interests of our stakeholder Members and communities and delivering an efficient, profitable and resilient business model: a strategy that is directed by the Purpose of the organisation and valued by its customers.

Our strategy:

Bringing together our understanding of Purpose and Member Value, in a savings, mortgage and advice business, our strategy is built around five themes:

Being truly Purpose-led in our approach to strategy and developing the business in a manner which delivers a business model that is ‘Powered by Purpose’.

Building our brands through our communities, recognising that our success relies on the reputation we build with our Members, the difference we make for their communities and the degree to which our Members connect with the value we create for them across multiple dimensions.

Growing the scale and efficiency of the business, with appropriate infrastructure, technology, skills and culture to increase our impact and the long term sustainability of our operations.

Fostering mutual advocacy, whereby our Members genuinely value the services we provide and the contribution we make to their community and region; they actively participate in the Society and become our biggest advocates, encouraging others to become part of our Society.

Understanding that making a positive contribution to the region’s sustainability and environment is not a matter of choice but a necessity.

Listening to Members is incredibly valuable

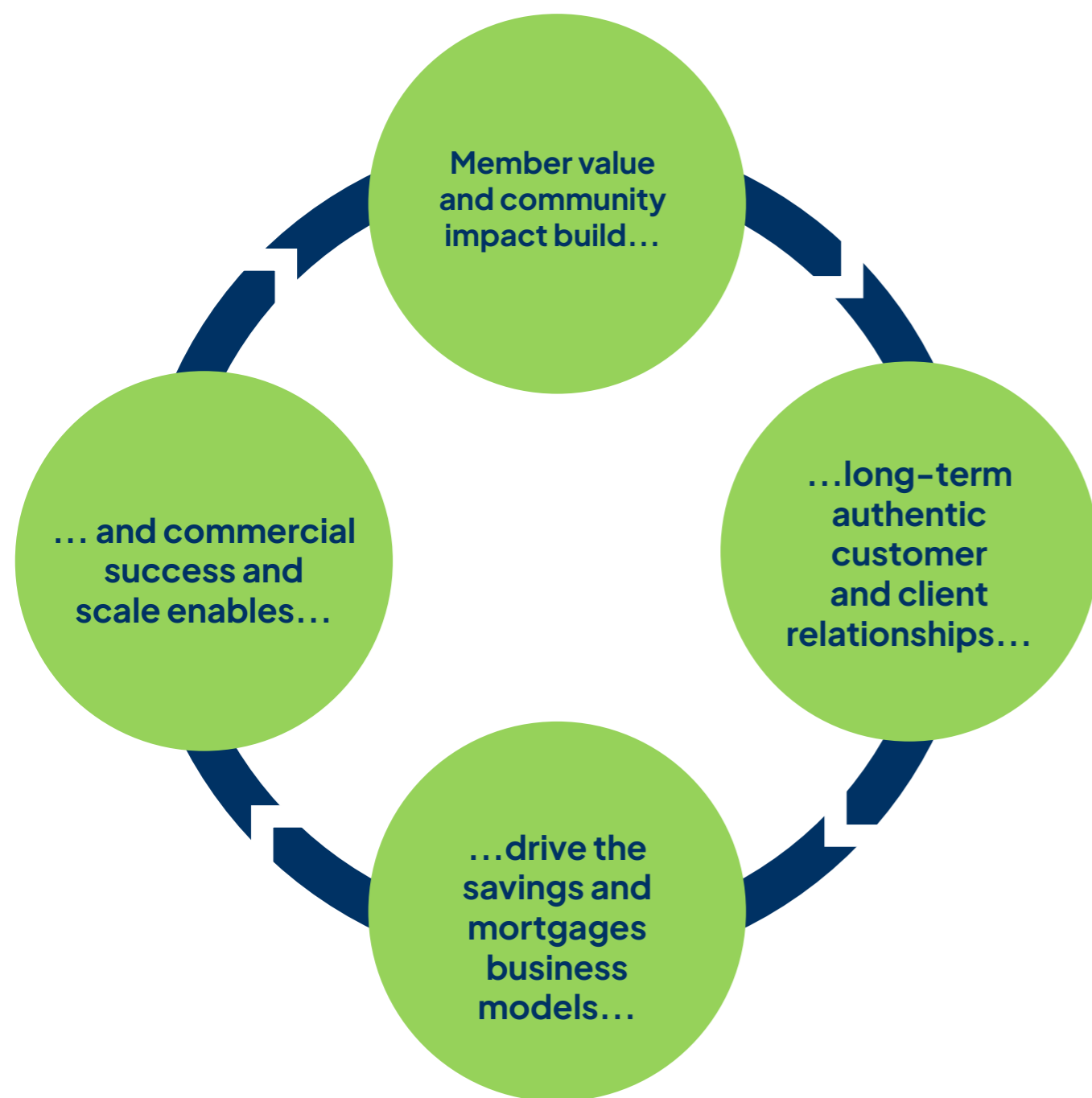


We believe that our approach to strategy delivers a truly Purpose-led business, which is driven to act in the interests of, and create value for, our Members, who are our key stakeholders, but also powers a successful commercial outcome in parallel.

Commercial success is vitally important as the profits we generate are re-invested into the business to support areas such as growth, innovation and infrastructure, for the long-term benefit of Members, and to provide the capital to underpin our operations, providing a resilient, secure Society for our Members.

Our 'strategy wheel' summarises our approach and demonstrates how each aspect of our business contributes and complements the others to work in synergy and deliver stable, cost-effective funding and lending, achieving a sustainable business model for the long term, which is uniquely placed within the regions and the communities we serve.

Playing our part in creating a sustainable Society



Blueprint

In 2025 we introduced a new blueprint for colleagues, to help bring clarity within the organisation, connecting individuals very clearly with our Purpose and helping functions align priority objectives over the next three to five years. The blueprint encourages decision making that balances purpose, risk and profit while protecting the interests of both current and future Members of our Society, and looks at three key areas:

Strengthening our foundations

Through our talented and engaged colleagues, our investment in technology and data, our capital strength and drive for cost efficiency, and our commitment to being a responsible business, playing our part in creating a sustainable Society in the places we are present.

Powering our purpose

Driving sustainable value: growing our savings balances, making it easy to do business with us and building a market-leading, resilient and scalable Solutions business to drive sustainable value for Members.

Building our Society

Creating value for our Members through our distinct, Purpose powered, place-based mutuality. Through deeply local, people-focused, regional retail brands; through accessible and inclusive financial advice, and market leading savings technology and service.



We're committed to being an inclusive organisation

Our business model

Our business model is powered by the delivery of our Purpose of 'connecting our communities with a better financial future'. As a Member-owned regional building society, we help people own their own home, save and plan their finances. We attract savings balances by offering our customers fair and consistent rates over the long term and we offer fairly priced mortgages on residential property to customers whom we believe will be well placed to repay their loan. We offer financial planning in all our branches, which helps our customers to plan their finances for the long term, while strengthening the trust and bond between us.

Our delivery of Purpose ensures that we are valued for more than consistent pricing and excellent service as we seek to benefit our regions through our role as employer, enabler of talent and facilitator of positive change within our communities.

The net effect of 'mutual value' we deliver is to foster long-term, authentic customer relationships which in turn form the foundation of a stable, sustainable savings and mortgage business, in the form of a building society. We bring scale and a diversified income stream to the Group by taking one of our core skills, savings management, and offering that as a service to other banks and building societies.



How we fund our Society

As a Member business, our funding predominantly comes from our Members and the savings they deposit with us. We diversify this funding with wholesale funding and Bank of England funding schemes. We also hold reserves which are generated from profits from prior years.



How we generate income

We earn income from the mortgages our customers hold with us and this then enables us to pay interest to our Members who have savings with us. We also earn income on the liquidity we hold and through our savings management outsourcing business, Newcastle Strategic Solutions and our financial advice business, Newcastle Financial Advisers.



How we use this funding in our Society

We use our funding to enable people to own their own home, save and plan their finances. We do this by offering residential and buy-to-let mortgages. We also hold some of our funding in liquid assets so we can ensure we meet regulatory limits as well as being able to pay out all liabilities as they fall due.



How we invest in a sustainable business

Community sits at the heart of our Society and as a mutual business we are committed to providing a service to our communities and to building authentic, lasting relationships. We reward our colleagues fairly to ensure we are a great place to work where people can realise their potential. We also ensure that we are investing in the infrastructure and capability to provide a safe, secure and sustainable business and adapt to change and new opportunities and challenges as they arise.

What we do

We operate nationally through digital and mortgage intermediary channels, but the heart of our business is in face-to-face delivery and the lasting, inter-generational relationships we build in our regions and communities.

We operate in 33 locations on high streets in our regions, with 32 Newcastle Building Society branches stretching across the North East, Cumbria and North Yorkshire, and since September 2025, in Greater Manchester following the opening of the Manchester Building Society King Street branch.

We start with place, deeply committed to making a positive difference for the people and places we serve. We are owned by our Members, which allows us to focus on what's really important – delivering consistent value through the products we offer, providing our customers with outstanding service and building a sustainable, successful business that benefits our Members, communities and regions, both now and in the future.

We care about building lasting, authentic relationships with our customers. Digital and intermediary channels play a key role in our distribution and service delivery, and along with face-to-face contact and a thriving branch network drive the business forward. To address the unique financial needs of local communities, we embrace innovation and inclusivity to support and champion our regions' high streets.

We are clear how being truly led by our Purpose of 'connecting our communities with a better financial future' means that through our five strategic pillars we can deliver a unique and sustainable business to benefit both our regions and our customers for the long term.

We help people to own their own home, to save and to plan their finances:

Helping our customers to save and plan their finances by offering consistently fair rates on a range of savings accounts through our branch network and online.

We also help people to own their own home, taking care to personally assess affordability for each customer based on their circumstances.

Our mortgage lending supports people with very different circumstances and requirements, such as first-time buyers, people borrowing in retirement and the self-employed.

And we offer long-term financial planning through our Newcastle Financial Advisers subsidiary, with a qualified, professional financial adviser available in all our branches.

We build lasting, authentic relationships with our customers, clients and partners:

We're always listening to our customers and finding new ways to deliver the services they need.

We're committed to maintaining financial services on our high streets and believe in the power of warm, friendly face-to-face customer conversations.

Our convenient branch services are supported by our popular savings app, and online account opening and servicing options.

We aim to deliver a great place to work where people are empowered to realise their potential:

We provide opportunities for our colleagues to build meaningful careers and are committed to developing talent from a range of different backgrounds.

We provide opportunity for all our colleagues to make a real and positive difference to the people and places that mean the most to them.

We foster inclusion, diversity and positive change at work and in our communities:

We're committed to being an inclusive organisation, both as a place to work and in our approach to our communities.

We help our communities to create positive change through a variety of partnerships, including long-term relationships with Newcastle United Foundation, Community Foundation North East, Forever Manchester, and EMPOWER.

We care about sustainability for future generations:

We fully recognise our responsibility to care for our environment and support a sustainable future for our communities

We will make positive changes to improve our own sustainability but also work with our Members and partners to help them to reduce their environmental impact.



Mutual value



In 2023, we adopted a new framework to bring even greater focus to our delivery of Purpose and to help us drive more meaningful impact and value from our actions. The Mutual Value Measurement (MVM®) framework was developed in Australia, by the Business Council for Cooperatives and Mutuals and Monash University in Melbourne, working with Warwick University in the UK.

We were the first UK organisation to receive Mutual Value Measurement Accreditation, recognising our ongoing commitment to create value and better serve our Members and their communities.

To bring additional clarity and focus to the value we deliver, we aligned our findings from the Mutual Value Measurement framework with our Purpose and strategic intent, simplifying them into three broad areas and providing the framework for reporting the Member value we continue to deliver each year:

- **Product value, service and accessibility**
- **Membership and community**
- **Partnerships and employment**

For further information on how we have delivered against these areas, please refer to the Chief Executive's Review.

The Framework describes the six dimensions of Mutual Value:

1

Commerciality

Commerciality refers to the generation of sustainable economic value for current and future Members through business operations.

2

Shaping markets

Shaping markets refers to the value of a Mutual's existence in creating, maintaining or shaping sustainable and competitive markets for goods and services.

3

Member relationships

Member relationships refers to building and maintaining meaningful and sustainable relationships with Members of the Mutual.

4

Community relationships

Community relationships refers to building and maintaining strong and sustainable relationships with the broader community beyond the Members of the Mutual.

5

Ecosystem and reciprocity

Ecosystem and reciprocity refer to the Mutual thriving alongside other stakeholders as part of a mutually beneficial and sustainable ecosystem.

6

Mutual mindset

Mutual mindset refers to acting ethically, sustainably, and consistent with mutual and co-operative values.

Our people

Creating a workplace where people can thrive and realise their full potential is central to delivering on our Purpose. Our people strategy provides an immediate, ongoing, and long-term framework for engaging, developing, and supporting colleagues, ensuring we build an inspiring environment where everyone can contribute to the Group's ambitions.

We place strong emphasis on colleague engagement as a driver of both business performance and colleague experience. Through Colleague Voice, our colleague engagement survey, we capture insights from across the organisation, enabling us to measure engagement at a strategic level and empower managers to act on feedback. This approach ensures that colleague perspectives inform decision-making and shape everyday conversations.

Our strategic people metric, employee net promoter score (eNPS), benchmarks us against the financial services sector and leading employers globally. In a period of significant organisational change, our eNPS score for 2025 was +48 (2024: +49). While this represents a slight decline, it places us firmly within the upper-middle range of the sector according to Workday Peakon's global database.

Following the culture programme launch in 2024, we continue to embed the new behavioural framework: Be Collaborative, Be Curious, Be Courageous, Be Efficient and Be Accountable, with all colleagues having specific behavioural performance objectives. This year we refreshed our Colleague Insight Forum, launching the Colleague Experience Collective; a diverse group of advocates from across the organisation. Using data-driven analytics, design thinking, and sprint-based methodologies, this group focuses on practical actions to enhance the colleague experience and support our cultural transformation journey.

An annual pay review for all colleagues takes place on 1 April each year and in addition the Group operates the 'Sharing in our Success' Bonus Scheme for all colleagues below Executive level. Payments from this scheme are determined by the delivery of financial and non-financial metrics linked to the Group's strategic objectives and the personal performance of each colleague.

We consult with Unite when considering our approach to annual pay awards for colleagues, except for Executives. The 2025 pay rise for colleagues ranged from 0% to 10%, with an average increase of 4.1% received by colleagues (2024: 6.0%).

As a 'Maintaining Excellence' awarded employer through the Better Health at Work Award, health and wellbeing remained a central focus throughout 2025, with a continued emphasis on mental health awareness and general wellbeing initiatives. Over the year, we strengthened partnerships with organisations such as Newcastle United Foundation through its Be a Game Changer campaign, Working Families, Metlife and men's mental health charities such as Andy's Man Club, while also collaborating closely with our internal diversity, equity and inclusion colleague-led networks.

We continued our review of people policies and introduced enhanced neonatal leave and pay, along with improved support provisions for key people-dependent policies including retirement, redeployment, and carers' leave. The latter was supported further by the introduction of a new carers passport to better assist colleagues with caring responsibilities.

We continue to have an active, dedicated network of volunteers in the roles of accredited mental health first aiders and health and wellbeing advocates to support and drive activity across the business and are proud to consistently maintain a health and wellbeing eNPS score which is consistently higher than industry average and in the top 25% of financial services.

A key contributor in the delivery of our people strategy is the way we manage our talent, from the moment they begin their colleague journey with us, through to their continued professional development in-role whilst supporting their career aspirations.

Showing our ongoing commitment to our work and opportunity agenda, we welcomed our 2025 early talent cohort in September, including increased focus on partnership working with our training providers to enhance the learner experience. We also partnered closely with Newcastle United Foundation during 2025 to introduce a community partnerships day as part of our corporate induction for new starters.

In 2025, we continued to embed our 'Place to Be You' strategy; our commitment to building a workforce and future talent pipeline that reflects the diverse communities we serve and fostering a culture where every colleague feels they belong and can be their authentic self.

We made strong progress against our diversity, equity and inclusion goals this year. Our colleague-led networks remain at the heart of this work, sharing lived experiences and diverse perspectives to raise awareness, deepen understanding, and shape more inclusive practices across the organisation.

Through partnerships with Goss and the Business Disability Forum, we advanced accessibility and inclusion for colleagues, Members, and communities. This included introducing an Equality Impact Assessment Framework to embed inclusive-by-design principles into our ways of working and achieving disability confident level 2 employer status.

Education and awareness continued to be a priority, with events and resources focused on gender, race, menopause, neurodiversity, disability, wellbeing, and LGBTQ+ inclusion. Highlights included:

- **Race equality week:** Our united for change: Advancing race equity together event brought over 40 colleagues, regional employers, and community partners together to explore actions for a more equitable North East.
- **Global accessibility awareness day:** We hosted Access for All: Physical Places & Digital Spaces, convening regional stakeholders to drive inclusive and accessible workplaces.
- **Powered by Pride:** A community event held at St James Park in collaboration with our strategic partner Newcastle United Foundation.

We received external recognition for our commitment to LGBTQ+ inclusion, winning the Pride Action North Business Award and the FT Adviser Award and proudly joined the Northern Pride and Manchester Pride marches with colleagues and community connections.

For the second year, we were headline sponsor of Newcastle Mela, the North East's largest multicultural festival, celebrating South Asian culture and strengthening community cohesion.

Our commitment to gender equality continues through the Women in Finance Charter, which we signed in 2020 and we remain on track to achieve a gender-balanced Senior Management population by 2026, being close to achieving this since 2024 with 49% of Senior Management being Female.

	Female		Male	
	2025	2024	2025	2024
Senior Management*	49%	49%	51%	51%
Managers	47%	47%	53%	53%
Colleagues	67%	66%	33%	34%
Overall	61%	60%	39%	40%

*Senior Management is defined as Board, Executive Committee and Executive direct reports

Social mobility is another key focus. In 2025, we established a partnership with Smart Works Newcastle, supporting unemployed women and those on zero-hours contracts with interview preparation and workwear and were proud to be ranked 65th in the UK top 100 employers in the Social Mobility Foundation's Social Mobility Index.

In recognition of our work promoting the living pension internally and externally, we were awarded the Living Pension Champion Award in the 2025 Living Wage Champion Awards.



In the North West we established a new partnership with EMPOWER

Key performance indicators

The Board regards key performance indicators (KPIs) as an important way of monitoring achievement of short-term objectives and progress against the strategic plan. The KPIs that are reported to the Board monthly are detailed below. There have been no changes to the KPIs reported to the Board, or calculations in determining these KPIs, during the year.

Key performance indicators	How it is measured	Performance	Link to our strategy and Purpose
Financial – Sustainable business			
Profit before tax*	Profit before tax as reported in the Income Statement.	2025: £22.6m 2024: £15.7m	To ensure we generate the necessary capital to grow the business.
Underlying operating profit**	Underlying operating profit excludes items defined as income or expenses that arise from events or transactions that are distinct from the core activities of the Group and therefore do not represent the Group's true performance.	2025: £29.7m 2024: £31.9m	To ensure we generate the necessary capital to sustainably grow the business, furthering our Purpose.
Operating profit before impairment and provisions	Operating profit before impairment and provisions as reported in the Income Statement.	2025: £23.4m 2024: £34.2m	To ensure we generate the necessary capital to grow the business.
Common Equity Tier 1 ratio	Common Equity Tier 1 capital (defined by the PRA as general reserves or qualifying capital instruments which for the Society is the accumulation of retained profits as a percentage of risk weighted assets).	2025: 11.7% 2024: 12.2%	To ensure we remain financially strong and be able to protect against risks inherent in running a building society.
UK leverage ratio	A Basel III ratio which measures Tier 1 capital against total on and off balance sheet assets.	2025: 4.9% 2024: 5.2%	To ensure we remain financially strong and be able to protect against risks inherent in running a building society.
Liquidity coverage ratio	The liquidity coverage ratio measures unencumbered high quality liquid assets as a percentage of net cash outflows over a 30 day stress period.	2025: 180% 2024: 229%	Ensures the Group has sufficient liquidity to operate.
Efficiency			
Cost to income ratio	Administrative expenses, depreciation and amortisation (as reported in the Income Statement) as a percentage of total income.	2025: 85% 2024: 78%	Cost to income ratio is a measure of financial progress against internal targets and the return achieved on investment in the business.
Lending and saving			
Net interest margin	Net interest margin is a relative measure of the Group's net interest income (as disclosed in the Income Statements) - the difference between interest received on assets and interest paid on liabilities - divided by the Group's average total assets during the year.	2025: 1.49% 2024: 1.44%	To assess the income from our mortgage and savings accounts, indicating the society's long-term sustainability and ability to deliver our Purpose.

Key performance indicators	How it is measured	Performance	Link to our strategy and Purpose
Lending			
Gross mortgage lending	The value of residential lending advanced during the year.	2025: £1,219m 2024: £1,196m	Helping people own their own homes.
Net core residential lending*	Gross residential lending, less repayments of principal and redemptions during the year across core residential and retail buy-to-let mortgages.	2025: £444m 2024: £496m	Helping people own their own homes.
Savings			
Savings balances	The value of savings balances held by our Members.	2025: £5,883m 2024: £5,433m	Helping people save and plan their finances.
Non financial measures – Service quality and customer experience			
Customer satisfaction	Customer satisfaction is a measure of how our products and services meet customer expectations.	2025: 97% 2024: 96%	Building lasting authentic relationships.
Customer engagement score (NPS)*	Customer engagement measures the loyalty of our customer relationships.	2025: +87 2024: +86	Building lasting authentic relationships.
People, leadership and culture			
Colleague engagement score (eNPS)*	Colleague engagement is measured throughout the year across all colleagues. Society goals are delivered by highly engaged colleagues.	2025: +48 2024: +49	Being a great place to work where people can realise their potential.

* Included as a key measure in the Executive Directors' Remuneration Policy calculations. For further details see the Directors' Remuneration Report.

** Underlying basis excludes items that arise from events or transactions that are distinct from the core activities of the Group and therefore do not represent the Group's true performance. The reconciliation of profit before tax to underlying operating profit can be found on page 26.

Senior Management consider a wide range of financial and non-financial metrics to assess the performance and future direction of both the Group and Society. Financial metrics include both measures defined or specified by the Group's applicable financial reporting frameworks (primarily International Financial Reporting Standards and the Building Societies (Accounts and Related Provisions) Regulations), such as Group operating profit before impairment and provisions, and non-specified measures, such as net interest margin and cost to income ratio.

Those financial measures not specified by the Group's financial reporting frameworks are alternative performance measures (APMs) with further detail provided below.

Our financial performance

The Chief Executive's Review details the Group's performance throughout 2025 and should be read in conjunction with this report. The Strategic Report outlines the financial performance of the Group during 2025.

Newcastle Building Society is the largest building society based in the North East of England and the seventh largest building society in the UK, with assets of £7.0bn (2024: £6.6bn). Profit before tax for 2025 was £22.6m, up from £15.7m in 2024, with the prior year including £20m of costs provided for in relation to voluntary financial support to Members who were affected by the actions and subsequent collapse of Philips Trust.

Our operating profit before impairment and provisions has decreased from £34.2m in 2024 to £23.4m in 2025, with strong income growth more than offset by increases in the cost base and continued investment in the Group, as well as movement in market interest rates creating losses in the instruments the Group holds at fair value.

Financial profitability

Profitability is one of the key performance measures the Board monitors closely. The Group seeks to make sufficient profit to invest in and grow the business for the benefit of its current and future Members.

Alternative performance measures

The Board reviewed and was satisfied that the alternative performance measure of underlying operating profit, which is reported alongside the statutory profit measure, gives a clearer view of the underlying performance of the business for our Members.

Non underlying items are defined as income or expenses that arise from events or transactions that are distinct from the core activities of the Group and therefore do not represent the Group's true performance, primarily relating to fair value adjustments. There have been no changes to the way underlying profit is calculated or reported in the year.

On an underlying basis, operating profit before impairment and provisions was £29.7m in 2025, a reduction of £2.2m from £31.9m in 2024, with cost growth outpacing strong income growth. The following table reflects operating profit before impairment and charges on an underlying basis, with further detail on the reconciliation from underlying operating profit before impairment and charges to reported profit before tax on page 26.

Underlying Group Income Statement

	2025 £m	2024 £m
Net interest income	101.4	91.9
Other income and charges ¹	60.4	56.1
Total operating income	161.8	148.0
Administrative expenses ²	(123.7)	(108.5)
Depreciation	(8.4)	(7.6)
Underlying operating profit before impairments and provisions	29.7	31.9

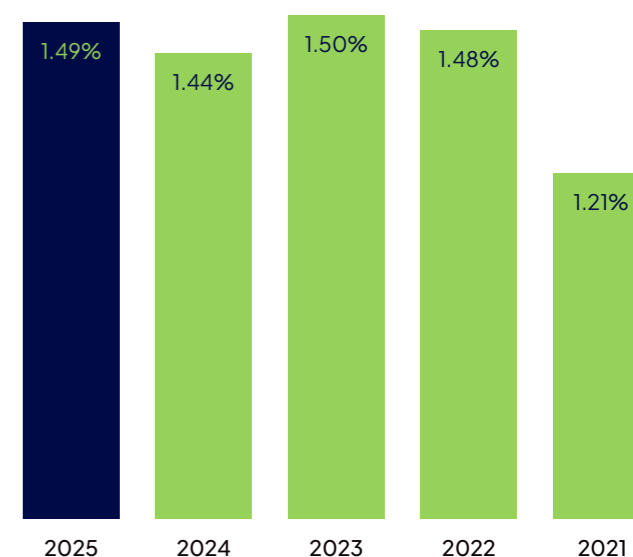
1. Other income and charges per the Income Statement, excluding fair value gains less losses on financial instruments and hedge accounting per the Income Statement and £0.8m investment distribution (2024: £nil).

2. Administrative expenses per the Income Statement, excluding £0.6m IT transformation costs (2024: £2.6m).

Net interest income and margin

Net interest income increased by £9.5m to £101.4m in 2025 (2024: £91.9m) and net interest margin was 1.49% (2024: 1.44%). Net interest margin increased in 2025 in part due to the maturity of the outstanding £366.7m Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). This was repaid using excess cash in the liquidity portfolio, removing the higher cost funding of TFSME and the lower yielding cash from the Balance Sheet, creating a net benefit to net interest margin. This was partially offset by the Society's first external securitisation issuance in the second half of the year, where we actively invested interest cost to diversify funding streams and manage future maturity risks. Balance Sheet growth and the strength and stability of retail funding also contributed to the increase in net interest income, with mortgage balances, including provisions and accounting adjustments, increasing by £424.9m and savings balances increasing by £450.0m (2024: increase of £429.6m and £418.4m, respectively).

Net interest margin



Other income and charges

Other income and charges includes income from Newcastle Strategic Solutions (Solutions) and Newcastle Financial Advisers. Income from Solutions includes income generated from balances under management of Solutions' clients. Income from Newcastle Financial Advisers relates to fee income generated through financial advice services. Other income and charges increased by £4.2m to £60.1m in 2025 from £55.9m in 2024, driven primarily by £1.6bn of growth in Solutions' balances under management in the year and strong levels of new investments and on-going service in the financial advice business.

Administrative expenses, depreciation and amortisation

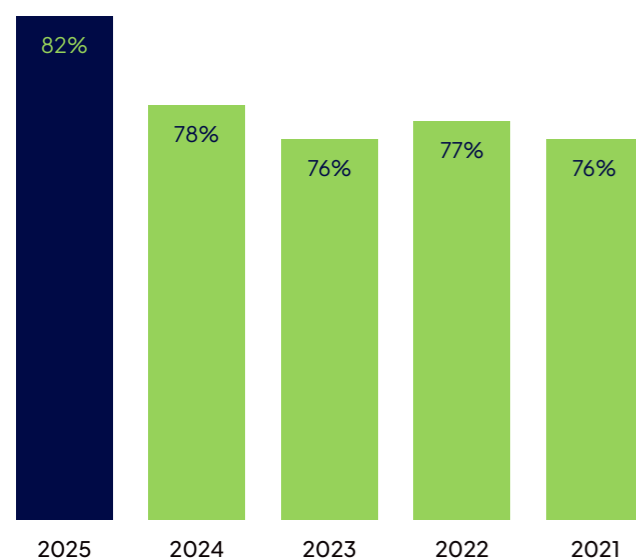
Overall management expenses (administrative expenses, which includes operational investment, depreciation and amortisation) increased to £132.7m from £118.7m. This reflects increased headcount levels as we sought to maintain strong service levels for Members and clients. Costs also rose due to our continued commitment to colleagues during a period of sustained inflationary pressure, including paying the Real Living Wage, alongside higher national insurance contributions. Other administration expenses also increased driven by a continued move towards new cloud-based systems, investment in core processes, as well as higher depreciation and amortisation based on prior capital investment commitments.

Cost control and delivering a more efficient, scalable and sustainable operating model are a key focus for the Group leading into 2026 supported by the deployment of our new target operating model.

The underlying cost to income ratio reflects underlying costs deemed to be under the control of management (administrative expenses plus depreciation and amortisation as disclosed in the Income Statements) divided by total underlying operating income, as similarly presented. Management assesses the ratio as a measure of operating efficiency and continues to look for ways to improve this performance indicator.

The underlying cost to income ratio increased to 82% in 2025 (2024: 78%). The higher cost appreciation across both staff and non-staff expenditure as outlined above has more than offset the income growth.

Underlying cost to income ratio



The following table presents the reconciliation from underlying operating profit before impairment and provisions to reported profit before tax.

	2025 £m	2024 £m
Underlying operating profit before impairment and provisions	29.7	31.9
(Loss) / gain in fair value of equity release mortgages	(1.9)	4.9
Hedge ineffectiveness and fair value movements on other financial instruments	(4.5)	0.3
Revaluation loss on equity investments	(0.1)	(0.4)
Foreign exchange movements	-	0.1
Investment distribution	0.8	-
IT transformation costs	(0.6)	(2.6)
Reported operating profit	23.4	34.2
Impairment reversals on loans and advances to customers	0.7	2.5
Loss on disposal of tangible and intangible assets	(0.2)	-
Provision for liabilities and charges	(1.3)	(21.0)
Reported profit before tax	22.6	15.7

Fair value movements on equity release mortgages

The Society's equity release mortgages are held at fair value and so any changes in the value of these mortgages are recognised in the Income Statement. The value of the equity release mortgages is impacted by a number of factors used to estimate the future cashflows expected on these mortgages; the most significant of which is market interest rates, movement in which is predominantly the driver of the £1.9m loss recognised on these mortgages during the year (2024: £4.9m gain).

Hedge accounting and movement in financial instruments

The impact of market interest rate changes on the Society is mitigated by hedging our exposure to interest rate risks using interest rate swaps. This significantly reduces the impact of changes in market interest rates on net interest income.

Interest rate swaps are held at fair value and therefore the value of the swap changes when market interest rates move. As a result of changing interest rates, net values of the interest rate swaps have decreased by £54.2m during the year (2024: increase of £35.4m). This was largely offset by increases in the Society's hedge adjustments on mortgages and savings, resulting in a net loss of £4.5m during the year (2024: £0.3m gain).

Impairment provisions for loans and advances to customers

During the year, economic conditions showed signs of improvement, with inflation easing and gradual bank base rate reductions (cumulatively of 100 bps) supporting increased affordability. This all against a backdrop of fiscal policy changes and geopolitical uncertainty which impacted house price inflation in the latter part of the year.

Some of this uncertainty is expected to unwind during 2026, impacting security values positively. Delinquency rates, while low, have also experienced a small reduction during the year. All in all, this improvement in the macroeconomic outlook has led to a modest reduction in the level of expected provisions with a net impairment gain for loans and advances to customers of £0.7m in 2025 (2024: gain of £2.5m).

The following table provides an overview of the movement in provisions. More details are included in notes 39 and 40 to the Annual Accounts.

	Movements in loans and advances to customers and related provisions			Movements relating to loans originated before 2025		Closing balances
	Opening balance	New originations in 2025	Redemptions			
Prime and buy-to-let	Loan balance (£m)					
	4,906.3	1,170.9	(726.9)	-	5,350.3	
	Provision (£m)					
	5.2	1.1	(0.6)	(0.7)	5.0	
Legacy (excl) housing associations	Loan balance (£m)					
	29.9	-	(5.0)	-	24.9	
	Provision (£m)					
	1.4	-	(0.1)	(0.1)	1.2	

Prime residential and buy-to-let provisions reduced by £0.2m in the year, reflecting the improving economic conditions, offset by the net growth in the mortgage book. The mortgage loss provision coverage ratios moved from 0.11% to 0.09%.

The Society successfully continued winding down its legacy portfolios, seeing the redemption of, or capital repayments against, legacy loans, reducing the balances by £5.0m, with a £0.2m reduction in provisions.

Provisions for liabilities and charges

Provisions for liabilities and charges have fallen from £21.0m in 2024 to £1.3m in 2025, primarily reflecting costs recognised in 2024 following our commitment to provide voluntary financial support to help Members whose trusts are affected by the actions and subsequent collapse of Philips Trust.

At 31 December 2025, the majority of payments have been made to affected customers, with a nominal provision balance (£1.0m) retained to settle these cases in 2026. In addition, £1.0m (2024: £1.2m) was received from the administrators of Philips Trust in 2025 from the recoveries made from Philips Trust investments, which is netted off charges for provisions for liabilities and charges in the Income Statement.

The remaining movement in provisions for liabilities for the year relates predominantly to £2.1m of colleague-related costs associated with an ongoing review and deployment of the new Group target operating model (2024: £0.9m).

Taxation

The Group shows an effective corporation tax rate of a 20.4% charge in 2025 (2024: 5.1% credit) and is lower than the standard rate of corporation tax of 25% due to adjustments for allowable distributions to Additional Tier 1 capital holders, as well as differences in timing of when charges are recognised for accounting and tax purposes.

Balance Sheet

A consolidated Balance Sheet is set out below with key Balance Sheet items discussed in detail in this report.

	2025 £m	2024 £m
Assets		
Liquid assets	1,182.7	1,155.6
Derivative financial instruments	16.9	56.6
Loans and advances to customers	5,714.2	5,289.3
Fair value adjustments for hedged risk	16.6	(21.9)
Intangible assets	11.7	13.8
Property, plant and equipment	36.6	34.0
Other assets	33.2	28.8
Total Assets	7,011.9	6,556.2
Liabilities		
Shares	5,882.7	5,432.7
Fair value adjustments for hedged risk	1.6	-
Deposits and debt securities	646.1	658.6
Derivative financial instruments	44.5	29.4
Other liabilities and provisions for liabilities	49.2	55.6
Subscribed capital	34.7	34.8
Reserves and equity	353.1	345.1
Total Liabilities	7,011.9	6,556.2



And our local presence helps us offer a much-needed service for everyone

Liquid assets

The Society has continued to maintain a level of high quality liquid assets throughout 2025. The Society's liquid assets comprise of assets held in cash or that can be easily convertible to cash through treasury markets (repo) or via various Bank of England liquidity schemes. All the liquid assets are placed with institutions with investment grade credit ratings, and 100% of the Society's liquid assets are with institutions rated AA- or higher by Fitch (31 December 2024: 100%).

The Society's strong liquidity position is also demonstrated by the Liquidity Coverage Ratio, which was 180% at 31 December 2025 (2024: 229%), well in excess of the regulatory requirement of 100%. As the Bank of England's base rate has fallen in 2025 the benefit of holding excess liquidity has reduced. The Society complied with all regulatory and internal liquidity requirements throughout the year.

Asset class	2025	2024
	%	%
Cash in hand and balances with the Bank of England	15.0	39.1
Loans and advances to credit institutions	12.4	8.5
Covered bonds	21.2	17.7
Residential mortgage backed securities	17.7	8.2
Gilts	26.5	17.6
Treasury Bills	1.0	4.6
Supranationals	6.2	4.3
Total	100.0	100.0

In addition, the Society has access to the Bank of England liquidity schemes and has pre-positioned mortgage collateral and other treasury assets that can provide additional liquid assets as part of business as usual and contingency funding plans.

Loans and advances to customers

During 2025, the Society's strategy to grow core lending, which includes prime residential and buy-to-let mortgages, whilst winding down legacy portfolios continued. Details of the movement in the Society's mortgage books is provided in note 12 to the Annual Accounts.

Loan portfolios

	2025	2024
	£m	£m
Core lending		
Prime residential	4,990	4,522
Retail buy-to-let <£1m	360	385
	5,350	4,907
Legacy Lending		
Equity release	163	172
Specialist buy-to-let	4	6
Housing associations	171	179
Commercial	3	4
Other	18	19
	359	380
	5,709	5,287
Provisions	(6)	(7)
Other accounting adjustments	11	9
Loans and advances to customers	5,714	5,289
	%	%
Average LTV%	68.1	67.7
Average ILTV%	63.4	62.9

Gross mortgage lending for 2025 remained flat at £1.2bn, matching the record level of £1.2bn set in 2024, whilst the balance of loans and advances to customers after provisions increased by £424.9m overall in 2025 (2024: £429.6m). The lower net growth in mortgages in 2025 compared to the prior year was due to lower retention on certain tranches of maturing discount mortgages, as well as a delay in completions towards the end of 2025 due to high demand across the market.

Average loan to value for the core mortgage book increased during the year to 67.5% (2024: 67.1%) and average indexed loan to value saw an increase to 63.3% (2024: 62.8%).

The majority of the Society's lending is secured with a first charge registered against the collateral property. Core and legacy residential loans are shown at indexed loan to value using the quarterly regional Halifax House Price Indices, all other loans are shown without indexing.

Mortgage credit quality

Arrears

The Society measures mortgage arrears of 3 months or more (excluding possessions) for both number and value of loans. Although primarily a measure of the quality of the existing mortgage books, the Society also uses its mortgage support functions to inform future lending with 'lessons learned' fed back into Lending Policy.

Arrears performance

3 months or more arrears

	By number of loans		By balance	
	2025	2024	2025	2024
	%	%	%	%
Core lending	0.7	0.7	0.8	0.8
Legacy lending	4.6	5.5	1.0	1.4
Total	0.8	0.9	0.9	0.8

The percentage of mortgages in arrears by 3 months or more remains at low levels. Overall by number of loans in arrears we have seen a decrease of 0.1% to 0.8%, and by balance we have seen an increase of 0.1% to 0.9%.

Forbearance

The Society works closely with any homeowner experiencing difficulties, offering help and advice. Customers utilising the benefits offered by the Mortgage Charter (an agreement between the UK Government, mortgage lenders, and the Financial Conduct Authority that outlines the standards and commitments for lenders when providing residential mortgages) are not considered by the Society to be in forbearance. Forbearance cases and options granted are monitored by the Credit Risk Committee with the levels of concessions granted not considered to be material for the size of the overall book. Please refer to note 40 to the Annual Accounts for further details.

Law of Property Act receiverships and possessions

The Society continued to experience a low level of possessions on residential loans and Law of Property Act receiver appointments. At the end of 2025 the Society had 21 properties in possession (2024: 11) in relation to residential loans, one of which being managed by a Law of Property Act (LPA) receiver (2024: one) and there were three legacy loan properties (2024: two) being managed by a Law of Property Act receiver. Whilst possessions have seen a small increase in the year, arrears levels remain low across all loan portfolios as outlined above.

Funding

The Society manages its funding levels, mix and duration carefully to ensure it has the required resources in place to meet its liquidity requirements and lending targets. The Society is predominantly funded through retail savings with wholesale funding used to provide a diversified funding source.

Retail savings balances increased by £450.0m during 2025 to £5.9bn (2024: £418.4m increase to £5.4bn), further progressing our Purpose through providing safe products for saving members. Wholesale funding remained broadly flat compared to 2025. Full repayment of the £366.7m of drawings previously made under the Bank of England's TFSME was made during the year, offsetting with £350m raised from the issuance of loan notes during the year under the Society's first external securitisation issuance.

Hadrian Funding 2025-1 Plc, the Society's inaugural external securitisation issuance, completed on 1 July 2025 with strong investor demand (2.5 times over-subscribed) and highly competitive pricing in a challenging market environment, issuing £350m of external A notes and the Society retaining £300m of A notes for use as contingent funding. This will provide an important source of alternative funding in the future.

The ratio of shares and deposits to wholesale balances moved from 89% / 11% in 2024 to 90% / 10% in 2025.

We're committed to our high streets



Reserves and equity

The Group's equity is predominantly made up of £312.6m retained profits in the general reserve (2024: £299.8m) and £40m of Additional Tier 1 (AT 1) instruments which were issued in 2024 and are recognised in the other equity instruments reserve.

Capital

The following table shows the composition of the Group's capital ratios at the end of 2025. The increase in Common Equity Tier 1 capital relates to the profit in the year, after any applicable prudential adjustments.

The increase in additional Tier 1 and Tier 2 capital relates to previously ineligible capital becoming eligible for regulatory capital purposes. Remaining ineligible capital will become eligible as the Group's Balance Sheet grows further.

Capital	2025 £m	2024 £m
Common equity tier 1 capital		
Retained earnings	312.3	299.8
Other reserves and prudential adjustments	(13.0)	(13.7)
	299.3	286.1
Additional tier 1 capital		
Perpetual capital securities	40.0	40.0
Ineligible additional tier 1 capital deducted	(1.4)	(4.6)
	38.6	35.4
Total tier 1 capital	337.9	321.5
Tier 2 capital		
Permanent Interest Bearing Shares	34.8	34.8
Subordinated loan notes	19.6	19.5
Ineligible tier 2 capital deducted	(2.9)	(7.1)
	51.5	47.2
Total capital	389.4	368.7
Risk weighted assets		
Liquid assets	56.6	34.2
Loans and advances to customers	2,155.0	1,990.4
Other assets	69.3	69.0
Counterparty credit risk	61.3	54.5
Operational risk	224.1	206.3
	2,566.3	2,354.4
Capital Ratios	%	%
Common Equity Tier 1 ratio	11.7	12.2
Tier 1 ratio	13.2	13.7
Total capital ratio	15.2	15.7
UK Leverage ratio (excluding claims on central banks)	4.9	5.2

The Group complied with its regulatory overall capital requirements (which include regulatory capital buffers), as notified by the Prudential Regulation Authority, throughout 2025. The total capital ratio was 15.2% (2024: 15.7%); Tier 1 capital ratio was 13.2% (2024: 13.7%), and Common Equity Tier 1 ratio was 11.7% (2024: 12.2%). As expected, capital ratios have reduced in the year, as the Society advanced its Purpose through higher lending levels which resulted in growth in risk weighted assets only partially offset by retained earnings generated in the year, utilising capital raised externally in 2024.

The leverage ratio is a simplified capital strength ratio measuring qualifying tier 1 capital against on and off balance sheet assets. The Board monitors the leverage ratio on a monthly basis, and, at 31 December 2025, the figure was 4.9% (2024: 5.2%). This is, and has remained throughout 2025, well in excess of the regulatory expectation of 3.25%. The reduction is due to Balance Sheet growth in excess of capital generation in the year.

The Group's total capital requirement is communicated annually by the Prudential Regulation Authority and consists of minimum regulatory capital requirements (Pillar 1) plus additional Society-specific capital requirements for credit, market, operational, counterparty, credit concentration, interest rate and pension obligation risk (Pillar 2A). The Group's total capital requirement at 31 December 2025 (excluding capital buffers) was £205.8m (2024: £188.9m). Further detail on the Group's capital is given in the Pillar III disclosures available on the Society's website.

A new regime for determining regulatory capital requirements commonly referred to as Basel 3.1 is coming into force on 1 January 2027. The Society qualifies for the alternative Small Domestic Deposit Taker regime and intends to adopt this regime. The Society does not expect material negative impact on overall capital requirements from the regime change.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are detailed in the Risk Management Report.

Anti-corruption and anti-bribery

It is our policy to conduct all of our business in an honest and ethical manner. In doing so we will take reasonable steps to prevent the facilitation of bribery, corruption and tax evasion and where we identify that our organisation is being used to facilitate bribery, corruption or tax evasion we will take a zero-tolerance approach.

Our Anti-Bribery and Corruption Policy sets out our responsibilities, and those of anyone working for us, in observing and upholding our position on bribery, corruption and preventing the criminal facilitation of tax evasion, and it also provides information and guidance to colleagues on how to recognise and deal with a suspicion of bribery, corruption or tax evasion issues. It is a criminal offence to offer, promise, give, request, or accept a bribe or fail to prevent our colleagues, workers, agents or service providers facilitating tax evasion. Individuals found guilty can be punished by up to ten years' imprisonment and/or a fine. As an employer if we fail to prevent bribery or tax evasion we can face criminal sanctions, an unlimited fine and damage to our reputation. We therefore take our legal responsibilities very seriously.

Anti-slavery and human trafficking

The Group has a zero-tolerance approach to modern slavery and we are committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere within our own business or any of our supply chains. We are also committed to ensuring there is transparency in our own business and in our approach to tackling modern slavery throughout our supply chains, consistent with our disclosure obligations under the Modern Slavery Act 2015. We expect the same high standards from all our contractors, suppliers and other business partners.

Our Anti-Slavery and Human Trafficking Policy applies to all persons working on our behalf in any capacity, including colleagues at all levels, Directors, officers, agency workers, seconded workers, volunteers, agents, contractors, external consultants, third-party representatives and business partners, sponsors, or any other person associated with us, wherever located.

Outlook

Whilst the key UK economic metrics have shown some signs of improvement in 2025, the outlook remains uncertain.

There are a number of potential headwinds emerging for the Group in 2026, some of which remain largely outside of our control. As we move into 2026 the key focus areas will be around ensuring that we continue in the deployment of our new target operating model, to drive cost efficiency and sustainable scalability, with a particular focus on improving the profitability of the Solutions Business, investing in technology, systems and process that make us more efficient as a business and provide better services and experiences for our Members and clients.

Whilst we remain cautious, we believe that our clear strategy and strength in our core business allows us to continue to support our Members and our UK wide customer and client base connect with a better financial future.

On behalf of the Board

Andrew Haigh

Chief Executive Officer

5 March 2026



Sustainability Report

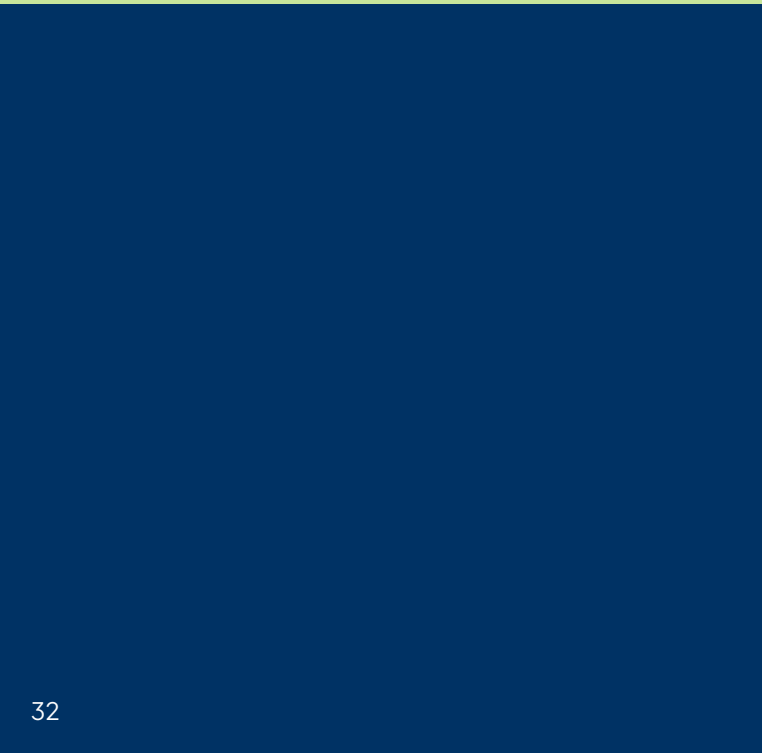
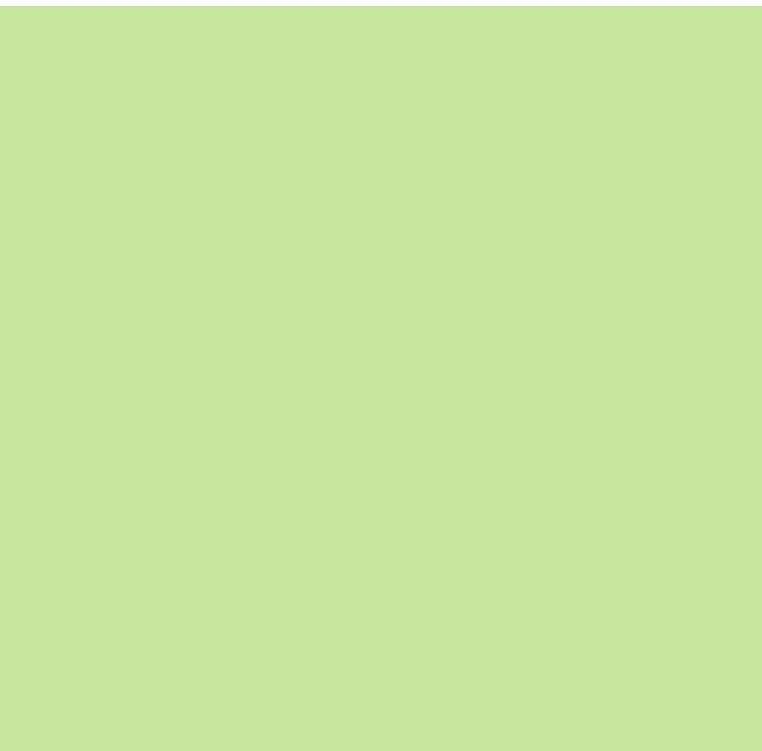
I am proud to introduce our Sustainability Report for 2025. This report documents our commitment to operating as a responsible business and the year-on-year progress we are making on our journey to net zero.

We have been connecting our communities with a better financial future for over 160 years and our commitment to caring for our environment and ensuring sustainability is more important than ever if we are to ensure that we can help provide a strong financial future for generations to come.

We remain committed to supporting the UK's transition to be a low carbon economy by minimising our climate-related impact. We have taken action to improve our operational emissions reporting; and I am pleased to report we have seen a decrease in our overall operational carbon footprint.

We are working on further reducing our environmental impact and a particular highlight in 2025 was becoming a signatory of the United Nations Environment Programme Financial Initiative and committing to their Principles of Responsible Banking Framework. This will allow us to contribute to the wider global climate impact by supporting our Members and working with communities across our regions. With the help of our diverse workforce, robust governance and ambitious strategy, I am confident we will continue to make positive progress across all our environmental and sustainability ambitions as we move through 2026 and beyond. We are committed to transitioning the Society to ensure that it continues to operate sustainability in the future.

Andrew Haigh
Chief Executive



Supporting the transition to a greener economy

The Society recognises the vital role the financial services sector plays in supporting the transition to be a low carbon economy. This report demonstrates the Society's commitment to effectively govern, manage, and monitor the risks and opportunities arising from climate change in line with its obligations under the Prudential Regulation Authority's Supervisory Statement 3/19 (SS3/19).

This report outlines activity from across the Group, including the Society and its subsidiaries, Newcastle Strategic Solutions Limited (NSSL) and Newcastle Financial Advisors Limited (NFAL).

Additionally, this report provides information in line with the Society's obligations under:

- Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations under sections 414CA and 414CB of the Companies Act 2006; and
- UK Government Streamlined Energy and Carbon Reporting Requirements 2019 (SECR).

Our Climate Strategy

How risks are linked to our business model and strategy

Climate change is relevant to the Society's success as the physical effect of climate change and the transition to a low carbon economy continue to create unforeseen risk and potential economic impact. We also recognise that we have a corporate responsibility to address any negative impact we have on the wider environment because of our business operations.

These risks and consequences could affect the viability of the Society, as well as the stability of the wider financial system. Considering this, and responding to the climate change challenges faced, the Society has a clear understanding on the action required to address the large-scale change that is needed across the business.

The climate strategy is supported by the Group strategy, which includes environment as one of its five strategic pillars. The environmental strategic pillar outlines the Society's commitment, documenting that the Society *will care for our environment and ensure a sustainable future for generations.*

We have been working hard over the last few years to establish a clearer understanding of the impact our business currently has on the climate and in return the risks and opportunities the climate presents to our business, which has enabled us to identify and agree on the most orderly way to transition our business to operate on a net zero basis.

Climate risk is separated into two key areas: physical risk and transitional risk.

- physical risk arises from an increased frequency and severity of climate and weather-related events; and
- transition risk is an exposure that may arise from changes to regulation and policy (e.g. targets for more energy-efficient homes), legal, technology and market changes associated with the process of adjusting towards a low-carbon economy.

We have identified that the largest risk exposure the business has is physical risk related to the impact of climate change on our mortgage portfolios.

The table on the following page summarises the key climate-related risks we have identified and their potential impact on the Society.

These risks are documented by their risk type, either physical or transitional, and the time horizon associated with each risk.

Risk Type	Horizon	Risk description	Risk impact	Controls
Credit Risk				
Physical	Long	Increased severity and frequency of extreme weather events can impact property collateral value and cause financial pressure to households due to higher costs, increasing the probability of default.	Impact on customer affordability that impacts borrowers' ability to repay the loan which creates an impairment on the loan and a loss to the Society.	Annual climate risk scenario analysis of physical and transitional risks in the mortgage portfolio, where results are considered as part of the Internal Capital Adequacy Assessment Process and impairment assessments. Credit risk appetite limits in relation to lending book physical and transitional risk. Limits are reviewed regularly to ensure they remain effective.
Transitional	Medium	Macroeconomic downturn from a disorderly national transition may place pressure on borrowers' affordability increasing the probability of default.	Impact on borrowers' affordability due to higher running costs, retrofit costs or inability to sell their property which may impact the borrowers' ability to repay the loan. Resulting in defaults which impact the Society's financial performance and Balance Sheet due to impairment of the loan.	Bi-annual monitoring of EPC on the mortgage portfolio. Bi-annual reporting of exposures relating to physical risk on the mortgage portfolio. Horizon scanning to understand regulatory or industry changes.
Operational Risk				
Physical	Medium	Supply chain disruption due to extreme and frequent weather events.	Weather events may cause damage to our supply chain operations leading to delays and disruption which impacts our business. The impact of the type of event may lead to the business being unable to deliver regulatory requirements or customer requests due to a loss of service, this could result in financial loss and / or increased operational costs for the business as well as regulatory penalties.	Operationally resilient business so that business services to our Members and customers continue to be provided. Controls include: <ul style="list-style-type: none"> ■ Remote working capabilities for our colleagues. ■ Buildings insurance for all Group owned premises. ■ Business continuity plans. ■ Business impact assessment. ■ Operational risk scenario analysis.

Note:

Short-term: < 5 years this aligns with the Group's financial planning cycle and our commitment to the United Nations.

Medium-term: 5 - 15 years, the primary time horizon associated with transitional risk materialising.

Long-term: 15+ years, this covers the main time horizon associated with physical risk and our climate risk stress testing horizon.

We fully recognise our responsibility to care for our environment



Climate Risk management

How we identify and assess climate-related risks

Climate risk management is embedded within the Society's risk management processes and is adopted using the Society's three lines of defence framework to both identify and manage business risks.

Climate risk is considered as part of first line business processes; it is incorporated into risk appetites and is monitored and reported to relevant governance committees.

With regards to climate risk associated with our mortgage portfolio, current processes include a valuer's assessment of known flood risk as well as subsequent checks on property insurance, providing assurance that the property is insurable before completion.

Following the Government's publication of minimum energy efficient standard guidance in 2020, our processes require details of energy efficiency ratings on buy-to-let properties, receiving confirmation from the surveyor that the property's energy performance certificate (EPC) rating is not in bands F or G.

The Society is committed to continually reviewing and improving our controls around identification, assessment, management and monitoring of climate risk in line with lending exposures.

Biannual reporting is undertaken to assess mortgage portfolio exposures to risks arising from weather related events such as flooding, subsidence and coastal erosion and risks associated with energy efficiency. This is reported to relevant committees, under the governance framework, with the Enterprise Risk teams responsible for providing oversight and challenge to the first line teams.

Climate-related environmental events, international policy and strategy to address climate change, economic, social and market trends are considered as part of the Society's risk management planning and reporting, notably via the Chief Risk Officer's report to the Group Risk Committee and the Board.

Regular review of the risk horizon carried out as part of this reporting takes account of key internal and external influences to our strategic goals and informs our response to emerging risks or threats. This approach includes an internal assessment of the Society's exposure to key risks highlighted within the Government's National Risk Register.

Climate Change Scenarios

Scenario	Early action	Late action	No Policy action
RCPs	2.6	6.0	8.5
Internal link to Bank of England Climate Scenarios	Low emissions Significant reduction in greenhouse emissions (Early Action)	Medium emissions All signatories of Paris accord deliver on commitments (Late Action)	High emissions Business as usual (No Policy Action)
Temperature increase	0.9°C - 2.3°C by 2100	2.0°C - 3.7°C by 2100	3.2°C - 5.4°C by 2100

How we manage climate-related risks

The Society has developed specific climate-related risk appetite statements and reporting as a component within the Society's risk management framework. Quantitative credit risk appetite limits have been set to manage the financial risk from climate change and have been set in relation to both physical and transition risks. We report on and monitor climate-related risk exposures for flooding, subsidence and coastal impacts, as well as monitoring EPC status of our mortgage book to gain better insight and review our position against risk appetite limits.

The Society revisits annually the operational scenarios it runs based on the key risks it faces, the greatest potential impact of those risks and the likelihood of those risks. The operational risk scenario library includes at least one scenario which considers the impact of an environmental event such as severe weather and flooding. These scenarios are developed internally, in discussion with key stakeholders from across the business and consider the operational and financial impact of the event.

Scenario analysis

Climate change is a complex and inherently systemic issue, and it is particularly difficult to model given the long-term nature of the exposure and the potential implications cutting across several key areas of risk such as credit, operational, liquidity, market and operational resilience.

There is an expectation from the Prudential Regulatory Authority that scenario analysis is conducted for material climate-related risks, and to consider the impact of the exposure over short, medium and long-term time horizons. In 2022, the Bank of England published the results of the Climate Biennial Exploratory Scenario (CBES). The exercise was designed to present a fully coherent set of scenarios that could be used to assess climate risks facing key UK firms.

To support the CBES, the Bank of England issued climate-related scenarios (Early Action, Late Action and No Action). Likewise, the Intergovernmental Panel on Climate Change (IPCC) has also set Representative Concentration Pathways (RCPs), which represent different levels in global greenhouse gas concentrations (the higher the RCP the greater the volume of greenhouse gas emissions). Both the RCP and Bank of England scenarios include global temperature increase forecasts and therefore it is possible to match them (subject to a degree of judgement), as outlined in the table below:

Expected credit losses

We undertake climate change scenario analysis using the metrics from the RCP and Bank of England scenarios to estimate expected credit losses that may come from physical risks associated to flooding (from fluvial, pluvial and tidal sources), as well as subsidence and coastal erosion. A post model adjustment in respect of expected losses from climate change is in place as part of our overall expected credit loss provision, as outlined in note 38 to the Annual Accounts.

Internal Capital Adequacy Assessment Process (ICAAP)

The ICAAP considers the impact of a range of scenarios on the Society's capital position. As part of the Society's ICAAP we conducted three credit risk related scenarios linked to climate-related risk, with the focus being on the medium-term horizon, which covered our maximum mortgage term of 40 years.

We also considered the operational impact on the organisation; carrying out an extreme but plausible pluvial flood related scenario which impacted the operational effectiveness of the Society's Head Office. The scenario considered likelihoods of 1 in 10 years (typical event) and 1 in 25 years (extreme event).

The output of this scenario concluded that the risks identified are being managed effectively with a robust control framework in place which mitigates exposure to within appetite and that there is sufficient capital available to respond accordingly and quickly in the event of the risk materialising.

Internal Liquidity Adequacy Assessment Process (ILAAP)

The ILAAP considers the impact of a range of scenarios on the Society's liquidity position. Whilst climate-related risks were considered as part of scoping the stress tests within the most recent ILAAP, the Society concluded that currently we do not consider climate-related liquidity risks to present a material exposure to our liquidity position. The Society will continue to consider climate-related risk assessments within the scope of future ILAAPs, acknowledging the evolving risks presented by climate change.

Operational Resilience

The Society's operational resilience framework addresses how the Society would be impacted by future responses to climate-related risks and opportunities. The Society's activities are largely in the UK, and its direct emissions are limited, meaning we can monitor the risks we are exposed to from climate change closely and adapt in accordance with any movement in the risk.

The Society's mortgage book is a dynamic asset and as such medium-term risks such as flooding risks associated with increases in global temperatures can be mitigated through our lending criteria reducing the immediate effect on the credit worthiness of those assets.

How we identify and assess climate-related opportunities

We utilise existing processes to identify and assess climate-related opportunities, such as the product development process, as well as colleagues attending working groups and committees such as the United Nations Environment Programme, UK Finance and The Green Finance Institute.

The internal Environment Taskforce played a key role in identifying opportunities and implementing tactical solutions across the Society and wider communities such as organising regular litter picks and beach cleans as well as the creation of the School of Sustainability, an internal one stop hub for colleagues to support environmentally sustainable living, knowledge and volunteering opportunities.

How we manage climate-related opportunities

Climate-related opportunities are managed through various functions and governance structures across the Society according to risk exposure and business impact. The Executive Committee is central to managing these opportunities and giving a directive steer on how to manage opportunities according to the Society's purpose priorities and climate strategy.

Climate risk governance

As we continue to enhance our environmental, social and governance (ESG) approach, we are committed to implementing the right measures to assess our performance and maximise our impact.

Climate risk is managed through the Society's risk governance structure which is outlined in the Risk Management Report and is governed as set out below.

Board

The Board is responsible for effective oversight of the governance aspects of the climate strategy and associated climate-related risks, which are embedded into existing governance structures to ensure that accountability, transparency and ethical conduct is present across the business.

Group Risk Committee and sub-committees

The Group Risk Committee is responsible for ensuring climate-related risk and opportunities are being managed effectively, with the Chief Risk Officer being responsible for the day-to-day management of climate-related risks;

- Known or emerging risks are raised to the appropriate Board sub-risk committee as follows:
 - Enterprise Risk Committee for climate-related risks to business operations (including operational resilience);
 - Credit Risk Committee for climate-related risks to the Society's secured mortgages; and
 - Assets and Liabilities Committee for climate-related risks to capital or liquidity.

In 2025, Committee meetings covered following topics:

- annual climate financial risk reporting at Group Risk Committee;
- monthly review of the climate-related risk appetite at Enterprise Risk Committee;
- biannual climate-related risk monitoring at Credit Risk Committee; and
- lending decisions in relation to flooding risk at Credit Risk Committee.

Executive Committee

The Society's Executive Committee chaired by the Chief Executive is responsible for overseeing the identification and management of climate-related risks and opportunities. They work proactively to review any new, emerging or changing risks focusing on short-term priorities to ensure the business adapts accordingly. Discussions are focused on the Society's short-term exposure to physical and transitional climate-related risks and opportunities.

In 2025, we officially became signatories of the United Nations Principle of Responsible Banking following approval from the Executive Committee and Board. The Executive Committee discussed the benefits of being a signatory and agreed the most appropriate sustainable development goals to adopt in line with our commitment. Since becoming signatories, we have focused on aligning the business to the principles framework.

Senior Management accountability

The accountability for climate strategy and climate-related risk within Senior Management is shared between our Chief Financial Officer (CFO) and our Chief Risk Officer (CRO) as defined under their additional responsibilities.

Chief Financial Officer

The CFO is accountable for managing the climate-related physical and transitional financial risks the business is exposed to. This includes accountability for leading the development and implementation of:

- identification, measurement, monitoring and reporting of the financial risks of climate change, in line with our risk appetite including our risk exposure limits and thresholds;
- scenario analysis (including a catastrophe modelling approach) to determine long-term financial risks and assess the impacts on our Balance Sheet; and
- disclosing the financial risks of climate change to the Prudential Regulatory Authority.

Chief Risk Officer

The CRO has accountability for ensuring the development and implementation of a governance framework to ensure that the Board understand and assess the financial risks from climate change which affect the Society, and address and oversee these risks within our overall business strategy and risk appetite.

Internal Audit Services

In addition, Internal Audit Services provide independent assurance on the effectiveness of how we manage climate risk.

United Nations Principles of Responsible Banking

In 2025, we became an official signatory of the United Nations Principles of Responsible Banking (UN PRB). This marked a milestone in our net zero journey allowing us to align our strategy, decision making and leading to a globally recognised framework which will support us in contributing to global climate efforts at a regional level.

The UN PRB is an internationally recognised framework made up of 6 principles:



Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.



Impact & Target Setting

We will continuously increase our positive impact and manage the risks to people and environments. At the same time, we reduce the negative impact resulting from our activities, products and services. To this end, we will set and publish targets that have the most significant impact.



Clients & Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.



Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve societal goals.



Governance & Culture

We will implement our commitment to these principles through effective governance and a culture of responsible banking.



Transparency & Accountability

We will periodically review our individual and collective implementation of these principles and be transparent about and accountable for our positive and negative impact and our contribution to societal goals.

Being a member of UN PRB commits the Society to a set of structured actions, over time, which are matched to our existing sustainability efforts. By aligning to the science-based framework from the UN PRB it provides the business with comfort that our transition to net zero follows a robust and orderly pathway supported by international policy makers, scientists and academics. Following this approach ensures we move closer to achieve net zero.

The principles are designed to be integrated into our business strategies and across our portfolio of activities, bringing purpose, vision and ambition on sustainable finance to the core of our organisation, whilst effectively managing the risks and opportunities the business is exposed to as we evolve and climate change develops.

Throughout 2025 we focused on building our understanding of the principles that will guide the transition of our business to operate on a net zero basis. We have considered five of the six principles, using their guidance to conduct an overall review of our operations to determine where our priorities over the coming months and years should be placed, with the following questions being at the core of this work:

- How does the business currently impact the climate?
- Where in the business are the biggest negative emitters, and what can we do to reduce those emissions?
- What are the climate-related opportunities available as we transition the business to increase our positive impact on the environment?

These questions have allowed us to gather data and information to create a clearer picture of the work required over the coming months and years to ensure we fully align our efforts to the Paris Climate Agreement and the Greenhouse Gas Protocol when reducing our greenhouse gas emissions.

It has also provided some insight in recognising that we are a business that operates on a sole asset class (mortgages) basis and that the emissions from these assets contribute to the majority of the Group's carbon footprint. We recognise that there are limited controls we can deploy to reduce these emissions and that to deliver meaningful reductions we are reliant on external factors such as changes to a national renewable utility infrastructure, increased consumer demand for greener products and UK Government policy to support the green changes needed for lenders across the UK.

External network

We are working closely with UK Finance and the Prudential Regulation Authority, sharing thought and opinion, ensuring we are involved with work needed to support the UK Government to make the changes required to drive progress towards a greener UK and greener mainstream finance.

In the meantime, we are focusing our efforts on the controllable emissions in scope 1 (direct) and scope 2 (indirect) and working on the reduction of those emissions across our business estate.



United Nations Sustainable Development Goals

In addition to our carbon reduction activities, we have also adopted six United Nations sustainable development goals.

In 2025, a gap analysis was conducted which looked at each of the 17 United Nations sustainable development goals and how they individually align to our strategic pillars, business model and Purpose. The objective was to identify the goals with the strongest alignment to our business. To support this gap analysis various peer reviews were also conducted to gain insight into how our peers approach adoption of their goals, appetite and progress of adoption.

The output of this work has led to us officially adopt the following United Nations sustainable development goals:



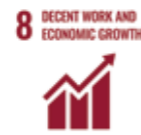
- We're proud to have achieved the 'Maintaining Excellence' award in Better Health at Work scheme – recognising our commitment to our approach to health and wellbeing. Our wellbeing approach considers mental, physical, financial and emotional wellbeing.
- Our benefits include Medicash, providing access to everyday healthcare support, our reward and benefits hub, which offers wellbeing initiatives such as GymFlex to help colleagues stay active and healthy.
- We also deliver financial wellbeing sessions to colleagues, customers and community groups to equip people with the tools to manage their wellbeing holistically. Additionally, we partner with Citizen's advice to provide financial support through their 'Helping Hands Scheme'.



- Our partnerships with schools, colleges and community organisations help us promote financial and digital literacy, helping people in our communities build confidence.
- We're committed to developing our colleagues through learning and career development opportunities, ensuring everyone has the tools to progress. We have invested in LinkedIn Learning which all colleagues can access to complete a range of courses and adopt new skills.
- We have formed a partnership with Newcastle United Foundation to help create inclusive pathways for all to learn, grow and gain experience. We also delivered a week long summer academy in partnership with the Newcastle United Foundation.



- We held an International Women's Day Event including a sexual harassment webinar for line managers.
- We have in place equalised family leave, baby loss and neonatal provisions and support.
- We have Parent & Carers, Menopause and Women in Leadership networks all delivering a calendar of activity internally across the business.
- We have a partnership with Smart works supporting women across the North East Region back into work.



- We are a Living Wage and Living Pension accredited employer – we won the Living Pension Employer Award in 2025.
- We offer free pension talks delivered to regional employers and community organisations.
- We have formed a partnership with Newcastle United Foundation to help create inclusive pathways for all to learn, grow and gain experience.
- We offer 2 paid volunteer days for each colleague annually to support wider economic growth within our communities.



- Our First Step mortgage (up to 98% loan-to-value) is designed to help first time buyers get on the property ladder sooner with a smaller up-front cost.
- We offer mortgages in later life products that are tailored for those looking to borrow in and approaching retirement and provides borrowing up to 95% LTV.
- Our Sustainable Living Hub provides accessible information for making sustainable home choices. The hub is located on the communities' page of our website.



- The total number of hours our colleagues have spent volunteering on environmental causes was 1,792 during 2025.
- The electric vehicle (EV) scheme has increased vehicle uptake from 10 in 2024 to 36 in 2025. Our EV benefit includes both new and nearly new cars which ensures that costs are kept to a minimum and makes the benefit accessible to more colleagues. An increase of 26 EV in 2025 equates to a saving of 9.24 tonnes of carbon emissions.
- Head office LED lighting replacement project approved in 2025; project will facilitate the replacement of the current fluorescent lighting with LED lighting reducing negative carbon emissions.

In the latter part of 2025, we have used our research and analysis to create a set of strategic considerations and an action plan for senior leadership, which will be implemented over the next three to five years in line with the timeline set out as part of the United Nations commitment ensuring we fully embed the six principles. Whilst at the beginning of this journey we are clear on the steps needed to fully integrate the principles and evolve our business towards being a more sustainable and environmentally friendly operation.

We commit to adapting the business and will lead by example and remain focused to ensure we achieve our strategic goals to transition to a low carbon economy and sustainable Society by 2050, whilst financing the transition for our Members through sustainable products and providing support to our communities on their transition to a sustainable, greener world.

Metrics and targets

The Society has committed to a science-based pathway in line with its commitment to the UN PRB which will transition the business to operate as a net zero sustainable Society by 2050. In addition to monitoring key metrics associated with climate change, the Society is working hard to reduce absolute emissions, as measured by our emissions inventory with a specific focus on the reduction of controllable scope 1 direct and 2 indirect purchased electricity emissions across the entire property estate, noting that during 2025 we have increased our property portfolio through organic growth of the business with the opening of the flagship branch in the centre of Newcastle alongside the first branch opening of Manchester Building Society located in the centre of Manchester.

Metrics and targets used to monitor physical and transition risk metrics

The metrics we apply to assess and monitor the climate risk exposure to the Society are:

- properties classed as being in the highest flood risk category;
- properties classed as being in the highest subsidence risk category;
- properties at risk of being impacted by coastal erosion; and
- mortgage portfolio distribution by EPC category.

The Society has quantitative portfolio credit risk appetite metrics to manage and limit its exposure to physical and transition risks associated with climate. The monitoring specifically focuses on the lending in the very high risk categories given these are likely to be impacted the most from a valuation perspective and higher insurance costs due to the severity and frequency of physical events.

The Society has developed specific climate-related risk appetite statements and reporting as a component within the Society's risk management framework. Quantitative credit risk appetite limits have been set to manage the financial risk from climate change and have been set in relation to both physical and transition risks. We report on and monitor climate-related risk exposures for flooding, subsidence and coastal risks, as well as monitoring EPC status of our mortgage book to gain better insight and review our position against risk appetite limits. Reporting is discussed bi-annually at Credit Risk Committee.

Physical risk metrics

Since 2024, we have engaged with a third-party data provider in relation to the physical risks covering flooding, subsidence, and coastal risk. All climate risk exposures are monitored bi-annually to ensure we operate within our risk appetite. The current overall exposure remains low and below UK averages as shown in the following table.

Current portfolio exposure to physical risks

Physical risk	Number of properties	2025		
		Exposure £m	Book %	UK % ¹
Properties classed in the highest flood risk category ²	498	74.1	1.5	1.8
Properties classed in the highest subsidence risk category ³	1,412	396.8	4.3	6.9
Properties classed in the highest coastal risk category ⁴	-	-	-	-

1. UK benchmark refers to both mortgaged and unmortgaged properties. Flood, subsidence and coastal data covers residential and buy-to-let
2. Twinn current flood risk rating (81-100)
3. Terraforma current subsidence risk score (10-15)
4. Terraforma current coastal risk score (100)

The Society tests the resilience of its mortgage portfolio via scenario analysis. It does so by forecasting what the exposure of the current portfolio would be using the most severe view for greenhouse gas emissions over the lifetime of the book. The scenario is represented by a 'no further policy action' scenario where global temperatures will continue to rise progressively by the end of the century, reaching up to 5.4°C, from pre-industrial levels. In those circumstances, the greatest movement in the book is observed for flood risk, which represents circa 2.3% of the current book. Overall, the risk remains low and below the UK average. The increases seen from other physical risks are less pronounced as seen in the table below:

Portfolio exposure under a 'No policy action/RCP 8.5' scenario 2050

Physical risk	Number of Properties	Exposure £m	Book %
Properties classed in the highest flood risk category	775	113.2	2.3
Properties classed in the highest subsidence risk category	1,485	410	4.5
Properties classed in the highest coastal risk category	2	0.3	0.01

Energy performance certificates (EPCs)

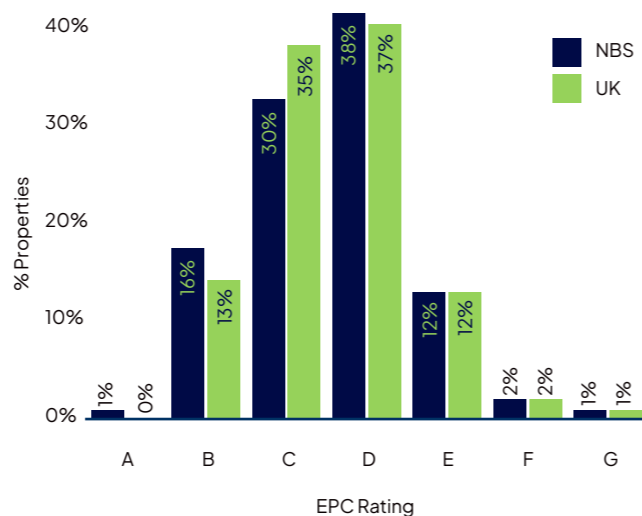
Domestic EPCs are banded from 'A' to 'G' where 'A' is the most energy efficient in terms of fuel costs and CO2 emissions, and 'G' is the least energy efficient. Properties are categorised into these seven bands based on their standard assessment procedure (SAP) rating, as shown in the table below.

EPC Rating	SAP Score
A	92+
B	81 - 91
C	69 - 80
D	55 - 68
E	39 - 54
F	21 - 38
G	1 - 20

Such ratings consider the performance potential of the building itself (the fabric) and its services (such as heating, insulation, ventilation and fuels used). The method used to calculate the SAP score is regularly reviewed by the Government, where it is expected that the new SAP 11 method is to be rolled out as part of the future homes standard on new builds in the near future. In 2024 we started to perform analysis of EPC ratings on our residential mortgage portfolio, to understand our exposures regarding energy efficiency.

The most common EPC rating based on book volume on the Society's residential mortgage portfolio is a 'D' rating which is consistent with the rest of UK. The Society is in line in terms of EPC, with 47% of properties having an EPC rating of C and above, against the UK at 48%.

Current EPC: Newcastle Building Society vs UK



Risk exposure to actual EPCs

EPC Category	Volume	Exposure £m	Book %
A	281	56.7	0.8%
B	4,472	818.1	13.4%
C	7,838	1,254.1	23.5%
D	9,791	1,602.4	29.4%
E	2,939	508.8	8.8%
F	554	104.5	1.7%
G	133	25.3	0.4%
Unknown	7,327	1,068.3	22.0%

This table is inclusive of both valid and expired EPCs. The unknown category, covers properties which do not have an EPC or have not been matched in the open register. This is due to a lag in EPC data being registered and therefore the data captured in October 25 for England and September 25 for Scotland is the latest data available. This data is sourced from a third-party external supplier.

Streamlined Energy and Carbon Reporting (SECR)

SECR Summary

SECR disclosures became mandatory for listed and large unlisted UK companies for reporting cycles beginning on or after 1st April 2019.

The following sections summarise Newcastle Building Society's energy usage, associated emissions, energy efficiency actions and energy performance under the government policy SECR.

This is implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Under the legislation, a business must disclose its energy consumption, emissions, intensity metrics and all energy efficiency improvements implemented for all UK operations.

Newcastle Building Society is a UK-incorporated business. An operational boundary has been applied for the purposes of the reporting.

Through 2025 we were able to record 91% of accurate consumption data to calculate scope 1 & 2 emissions in 2025. The remaining 9% of the consumption data has been estimated based on the observed data. As we continue to mature our capability to measure and report our emissions, we aim to include scope 3 controllable emissions in future periods; currently there is not sufficient available data to accurately measure applicable scope 3 emissions.

Year-on-year changes

Following changes within the branch footprint in 2025, including the removal of gas boilers and small changes in space usage within one of our locations, our natural gas emissions decreased by 14.13% in 2025 compared to 2024 and electricity emissions decreased by 16.93% in 2025 compared to 2024.

Additionally, there was a reduction in the UK grid emissions factor by 14.5% for 2025, contributing to the electricity emissions decrease year-on-year.

In 2025, there was a shift away from diesel company vehicles towards electric company vehicles, resulting in reduced diesel mileage and fuel use alongside increased electric vehicle mileage. Transport emissions increased by 1.61% in 2025 compared to 2024, largely due to higher business electric vehicle company car mileage.

Energy efficiency

The business is committed to year-on-year improvements in its operational energy efficiency. A register of energy efficiency measures has been compiled, with a view to implementing these measures in the next five years.

Energy saving measures to be addressed in 2026 as part of the Society's decarbonisation agenda are:

- removal of gas from additional branches is under review; and
- LED lighting upgrade: the lighting at head office is planned to be upgraded to LED lighting.



Caring for our environment and ensuring sustainability is more important than ever

Carbon and energy overview

The following tables show scope 1 and 2 emissions for financial years ending 31 December 2025 and 31 December 2024 across all operations.

Scope 1 and 2 emissions include direct combustion of natural gas and fuels utilised for transportation operations e.g. company fleet vehicles.

Refrigerant emissions have been included in financial year 2025 reporting due to improved data quality and availability. In previous years, including financial year 2024, complete and reliable data was not available, so emissions relating to refrigerant gases were not incorporated into scope 1 reporting.

For financial year 2025, enhanced data-gathering processes and more robust record keeping have enabled the full capture of refrigerant usage associated with emissions. As a result, the year-on-year increase in scope 1 emissions when comparing financial year

2025 (including refrigerants) to financial year 2024 (excluding refrigerants) reflects an improvement in data completeness rather than a material operational change. The inclusion of refrigerant emissions from financial year 2025 onwards ensures greater accuracy and supports consistent reporting for future years.

Scope 2 consumption and emissions capture indirect emissions related to the consumption of purchased electricity and electric vehicle transport e.g. company fleet vehicles.

In 2025, the business expanded scope 2 reporting to dual-report on location-based and market-based emissions factors. Market-based emissions demonstrate the carbon reduction achieved by renewable electricity procurement. Market-based emissions are reported in tCO₂ only and reflect the specific emissions associated with a supplier-specific fuel mix.

Reporting methodology

The SECR report (including the scope 1, 2 and 3 kWh consumption and CO₂e emissions data) has been developed and calculated using the Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (World Resources Institute and World Business Council for Sustainable Development, 2004); Greenhouse Gas Protocol – Scope 2 Guidance (World Resources Institute, 2015); ISO 14064–1 and ISO 14064–2 (ISO, 2018; ISO, 2019); Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance (HM Government, 2019).

Government Emissions Factor Database 2025 version 1.0 has been used, utilising the published kWh gross Calorific Value (CV) and kgCO₂e emissions factors relevant for the reporting period of the year to 31 December 2025.

Estimations were undertaken to cover missing billing periods for properties directly invoiced to Newcastle Building Society. These were calculated on a kWh / day pro-rata basis at the meter level and applied to the properties with no available data.

For properties where Newcastle Building Society is indirectly responsible for utilities (i.e. via a landlord or service charge), the median consumption for properties with similar operations was calculated at the meter level and applied to the properties with no available data. This was applied to one gas meter.

All estimates equated to 9.42% of reported consumption.

Market-based emissions have been calculated using the supplier-specific fuel mix from Newcastle Building Society's electricity suppliers.

Newcastle Building Society uses 100% renewable electricity sourced from its suppliers backed by Renewable Energy Guarantees of Origin certificates.

The breakdown of supplier-specific emissions intensities is as follows:

SSE: 0.00 tCO₂ /kWh

Drax Energy Solutions: 0.00 tCO₂ /kWh

The Society's 2024 transportation consumption, emissions figures and associated intensity metrics have been restated following updates to the actual transportation mileage activity for company electric vehicles.

Intensity metrics have been calculated using total tCO₂e figures and the selected performance indicator agreed with the Society for the relevant report period:

Floorspace (m²) **2025** (2024) **16,747** (14,812)

Compliance responsibility

The SECR report has been prepared by the ESG division of Inspired Limited for Newcastle Building Society by means of interpreting the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as they apply to information supplied by Newcastle Building Society and its energy suppliers.

Outlook for 2026

Our focus for 2026 takes into consideration our PRB commitment, our internal blueprint principles and our external regulatory obligations. We aim to concentrate on 4 work streams which transitions our business forward to operate in a more transparent and sustainable manner, they are as follows:

1. PRB principle 2 - Establish and agree interim targets for scope 1 and 2 controllable emissions
2. PRB principle 2 - Focus on measuring relevant scope controllable 3 emissions
3. Increase climate risk and environment knowledge across the business from Board level down
4. SECR - Continue with decarbonisation of our business estate

As part of our commitment to UN PRB we will publish our first progress report in the second quarter of 2026.

Total UK Scope 1 and 2 location and market-based emissions, including refrigerants

Utility and scope	2025 Emissions		2024 Emissions	
	Location-based (tCO ₂ e)	Market-based (tCO ₂ e)	Location-based (tCO ₂ e)	Market-based (tCO ₂ e)
Scope 1 total	206.60	206.60	169.48	169.48
Natural gas (Scope 1)	140.62	140.62	163.77	163.77
Refrigerants (Scope 1)	61.80	61.80	N/A	N/A
Transportation (Scope 1) *	4.18	4.18	5.71	5.71
Scope 2 Total	404.97	2.45	486.27	12.36
Grid-supplied electricity (Scope 2) **	402.52	-	484.57	10.66
Transportation (Scope 2)	2.45	2.45	1.70	1.70
Total	611.57	209.05	655.75	181.84

Total UK Scope 1 and 2 location and market-based emissions, excluding refrigerants

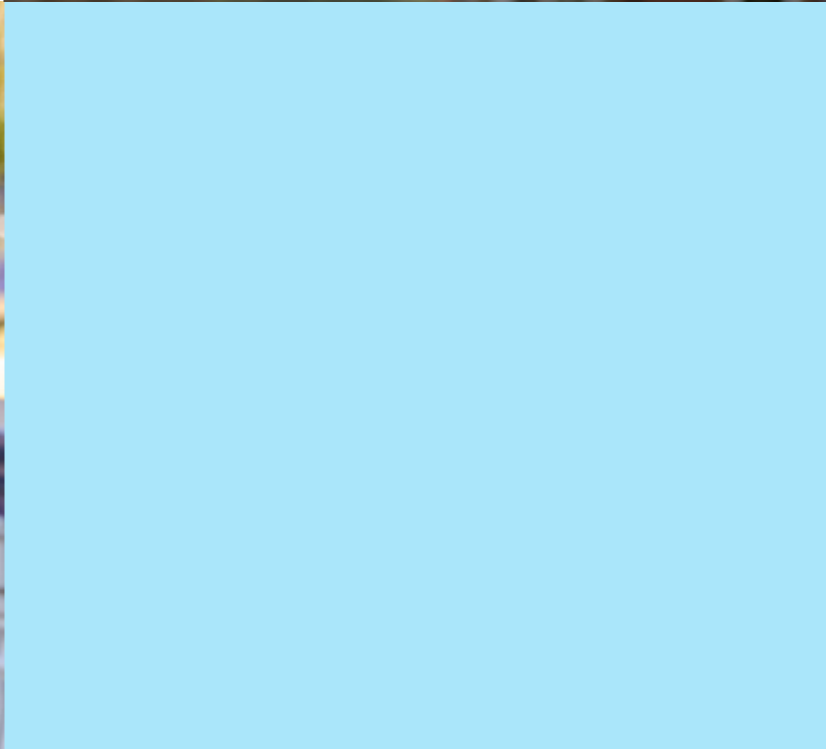
Utility and scope	2025 Emissions		2024 Emissions	
	Location-based (tCO ₂ e)	Market-based (tCO ₂ e)	Location-based (tCO ₂ e)	Market-based (tCO ₂ e)
Scope 1 total	144.80	144.80	169.48	169.48
Natural gas (Scope 1)	140.62	140.62	163.77	163.77
Refrigerants (Scope 1)	4.18	4.18	5.71	5.71
Scope 2 Total	404.97	2.45	486.27	12.36
Grid-supplied electricity (Scope 2) **	402.52	-	484.57	10.66
Transportation (Scope 2)	2.45	2.45	1.70	1.70
Total	549.77	147.25	655.75	181.84

N.B. The reported scope 1 and 2 emissions have been rounded to two decimal places. Any calculations have been conducted using complete unrounded figures.

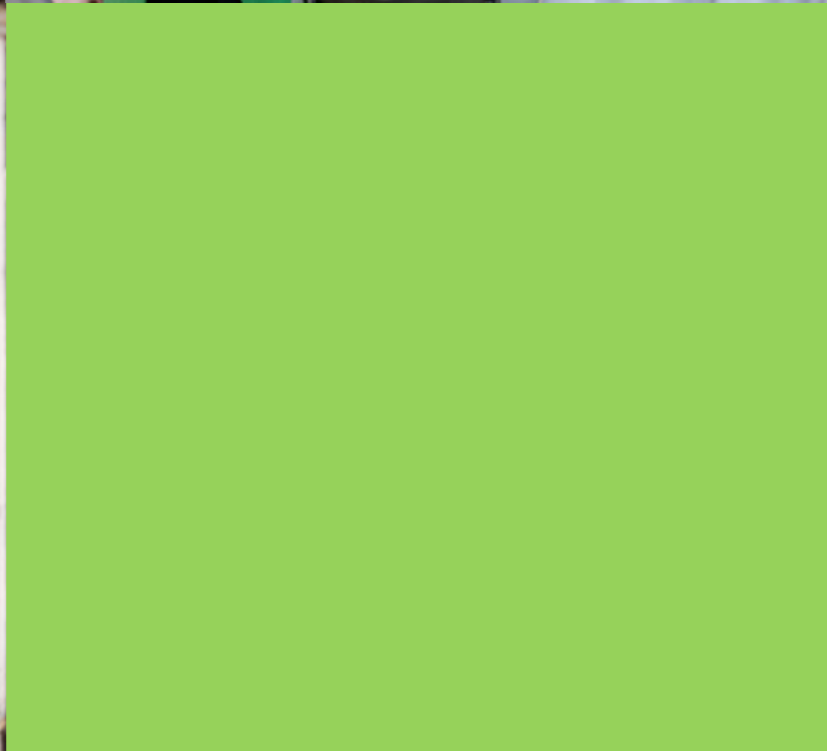
*FY2024 transportation emissions have been restated following updates to the actual transportation activity recorded for FY2024. More information can be found in the methodology section.

**Emissions from grid-supplied electricity (scope 2) are captured and reported in tCO₂ only, due to the market-based methodology.

Governance



Committed to making a positive difference for the people and places we serve



Risk Management Report

Overview

The risk management framework is designed to proactively identify and manage risk, while supporting Senior Management in the delivery of the strategy. This is achieved through the effective utilisation of risk appetite and ensuring resilience to operational and financial risks. The Group's ability to identify, measure, monitor, report and control risk is key to the continued delivery of sustainable and resilient business performance, including fair outcomes for our customers. The Chief Risk Officer has ultimate accountability for the maintenance and enhancement of the organisation's risk management framework.

First line of defence	Comprises of core business units, which ultimately hold the responsibility for identifying, quantifying and managing risk while adhering to corporate risk appetite, policies and standards. The first line also holds the responsibility for implementing and maintaining regulatory compliance.
Second line of defence	The Risk function provides independent oversight of the implementation of effective risk management, while developing and maintaining risk management policies and methodologies. The second line reports (through the Chief Risk Officer) to the Chief Executive and ultimately to the Group Risk Committee.
Third line of defence	Internal Audit Services provide independent assurance to the Board and senior management on the adequacy of the design and operational effectiveness of internal control systems and measures across the business.

The risk management framework includes the use of Board approved risk appetite statements covering a variety of principal risks that the Group faces. Additionally, regular management information and performance data in respect of the overall framework is provided to the Group Risk Committee. There is a demonstrated level of balance within the framework with evidence of performance, stress testing, scenario analysis and recovery planning.

Overall, there is a high degree of awareness and understanding of risk across the Group. Senior Management understands and champions the basis for risk measures with detailed understanding of strengths and limitations. The culture across the organisation supports the development of risk skills which is articulated from the top down and gives due focus to risk management.

Risk governance

The Board is ultimately responsible for ensuring that adequate systems of risk management are in place, and that the strategy, risk appetite and risk management are aligned. To assist the Board, a Group Risk Committee oversees the management of risk across the Group. In addition, the Board is responsible for the establishment of risk appetites that ensure business activities and decisions are taken within our capacity for accepting risk. Performance to risk appetites are monitored by the Board and the Group Risk Committee with appropriate frequency.

The Risk function, as the second line of defence, oversees the suitability and effectiveness of risk management across the organisation and supports the Group Risk Committee. This includes the provision of oversight reporting to the Group Risk Committee and its sub-committees. The Chair of the Group Risk Committee reports formally to the Board on the Group Risk Committee's business at its monthly meetings. This includes confirming the effectiveness of risk management and the internal control systems which have been in place throughout the year. In addition, Internal Audit Services, as the third line of defence, provide independent assurance to the Board and Senior Management on the adequacy of the design and operational effectiveness of internal control systems and measures across the business.

The Chief Risk Officer also provides formal updates on risk management to the Board, in relation to the Group, at each Board meeting.

The risk governance structure is shown in the Sustainability Report and discussed further below.

Group Risk Committee

Members of the Group Risk Committee at 31 December 2025 were:

Bryce Glover (Committee Chair), Adam Bennett, Richard Gabbertas and Mick Thompson.

The Group Risk Committee oversees the risk management and governance framework, and the overall risk profile. The Group Risk Committee meets at least four times per year and more frequently when required.

The duties of the Group Risk Committee include:

- oversight of overall risk appetite, tolerance and risk management strategy and the principal and emerging risks the Group is willing to take in order to achieve its long-term strategic objectives;
- oversight of the management of risks to which the business may be exposed, including (but not limited to) prudential risks, conduct risks, operational risks, climate change related risks, operational resilience and IT related risks including cyber risk;
- oversight of compliance with risk policies;



- assessment of new initiatives, projects and products that have a significantly different risk profile to current Group activities;
- oversight, review and recommendation to the Board in respect of approval of the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), the Recovery Plan (including Solvent Exit Analysis) and Resolution Pack;
- oversight of the risk sub-committees (see below); and
- review and assessment of the risk appetite and associated stress testing.

During 2025, Group Risk Committee considered the following matters (amongst others):

- periodic review of the amount of risk we are prepared to accept in the conduct of our business, measuring delivery against regulatory compliance and good customer outcomes;
- approved a number of lending proposition changes that appropriately balanced risk and reward, with particular consideration of helping more people to buy a home;
- reviewed and recommended to the Board the approval of the 2025 Operational Resilience Self-Assessment document;
- regular oversight of the delivery of good outcomes for customers and the support for customers in vulnerable circumstances.
- reviewed and recommended to the Board the ICAAP and the ILAAP documents;
- reviewed and recommended to the Board an updated Recovery Plan that included a Solvent Exit Analysis; and
- reviewed and approved entity level policies including (but not limited to) lending, treasury, interest rate risk, operational risk and conduct risk.

The Group Risk Committee met on four occasions in 2025.

Credit Risk Committee

The Credit Risk Committee, chaired by the Chief Risk Officer, is responsible for the oversight of the retail and commercial credit risk framework. This Credit Risk Committee acts under the authority of the Group Risk Committee and has delegated authority to make decisions and recommendations in accordance with the agreed terms of reference. The Credit Risk Committee ensures the use of regular stress testing and scenario modelling that are reflective of the nature of the associated risk.

Matters will be escalated as required to the Group Risk Committee and this also applies to the Enterprise Risk Committee, the Model Risk Committee and the Assets and Liabilities Committee (see below).

The Credit Risk Committee met on nine occasions in 2025.

Enterprise Risk Committee

The Enterprise Risk Committee, chaired by the Chief Risk Officer, is responsible for overseeing the risk framework for operational risk, conduct risk, IT risk, people risk and operational resilience. The Enterprise Risk Committee has the responsibility for review and approval of entity level policies in advance of final approval by the Group Risk Committee. All relevant operational risk management information, to include (but not limited to) performance against risk appetite statements, is reported to the Enterprise Risk Committee.

The Enterprise Risk Committee met on twelve occasions in 2025.

Model Risk Committee

The Model Risk Committee, chaired by the Chief Risk Officer, ensures the Group's compliance with the Prudential Regulation Authority Supervisory Statement SS3/18 'Model Risk Management Principles for Stress Testing'. The Model Risk Committee acts under the authority of the Group Risk Committee in an advisory capacity and makes non-binding recommendations concerning adherence to the Model Risk Policy. Recommendations are made by the Model Risk Committee to the Group Risk Committee on suitable macroeconomic scenarios, model risk appetite, model performance (monitoring) and model limitations. Approval of the macroeconomic scenarios remains the responsibility of the Board.

The Model Risk Committee met on nine occasions in 2025.

Assets and Liabilities Committee

The Assets and Liabilities Committee, chaired by the Chief Financial Officer, oversees asset and liability mix, the effectiveness of risk and controls of strategic capital planning, liquidity, funding and interest rate risk in the banking book (IRRBB) and compliance with limits and metrics set out in the Treasury Policy and Standards.


The Assets and Liability Committee met on eleven occasions in 2025.


Principal risks


The Society's Purpose is 'connecting our communities with a better financial future'. To enable the Group to achieve its strategic objectives as a Purpose-led organisation, the Board ensures that systems and controls are in place so that risks are suitably identified, quantified, managed and reported.


The Board categorises the key risks in operating as a going concern as 'principal risks'. In addition to the principal risks, climate risk is included as an emerging risk, reflective of the increased frequency and severity of climate related events.


The current principal risks the Group faces, which remain unchanged in the year, are:

Principal Risk	Risk Management	Commentary
Capital Risk (Principal Risk)	<p>Capital risk refers to the risk that the Group holds insufficient capital to cover the risks it is exposed to and therefore is unable to absorb losses arising in a stress or finds itself in breach of regulatory capital requirements. Such a stress could be the result of an economic downturn affecting all UK financial institutions, an event only impacting the Group or a combination of both.</p> <p>To manage this risk, the Group plans its capital usage and generation closely and monitors adherence to its business plans regularly.</p> <p>Day-to-day capital management is delegated to the Chief Financial Officer with oversight by the Assets and Liabilities Committee, the Group Risk Committee and the Board.</p> <p>The Group assesses its capital position and risks through an annual Internal Capital Adequacy Assessment Process (ICAAP) in line with regulatory requirements. The ICAAP considers the key capital risks and the amount of capital that should be retained. These requirements are assessed against the current position and throughout any forward planning. The Prudential Regulation Authority sets and monitors capital requirements for the Group. Capital adequacy is measured by comparing both current and forecast capital resources to capital requirements.</p> <p>Capital stress testing is performed as part of the ICAAP and makes sure that the Group is resilient to a range of stresses, assessing whether capital requirements would be met under severe but plausible stress scenarios and considers the mitigating actions available to management.</p> <p>The Group's policy is to maintain a strong capital base to maintain Member, creditor and market confidence and to sustain future growth. The Group has complied with all externally imposed capital requirements and internally set limits throughout the year.</p>	<p> Risk remained static in 2025.</p> <p>The Group raised £60m of external capital in 2024, demonstrating the confidence of external investors in the Group and its ability to raise capital. Alongside capital generated in the year, the Group has continued to utilise the additional capital headroom created by the capital raised, for growth and investment over several years into its operations, IT infrastructure and strategy.</p> <p>The total capital ratio reduced from 15.7% to 15.2%, remaining well ahead of the regulatory minimum of 8%. Correspondingly, Common Equity Tier 1 (CET1) capital has reduced from 12.2% to 11.7%. The reduction was in line with the Society's business plan and CET1 capital remains comfortably above the regulatory minimum of 4.5%.</p> <p>Risks and opportunities with potential capital impact such as business growth are continually reviewed to drive appropriate action where necessary.</p>

Principal Risk	Risk Management	Commentary
Credit risk (Principal risk)	<p>Loans are underwritten individually based on affordability, credit score and history, appropriate collateral levels and the overall Society's lending criteria.</p> <p>The Society does not undertake new residential sub-prime or self-certification lending and has minimal exposures to commercial and other legacy lending.</p> <p>The Lending Policy is actively managed and has been reviewed in 2025 to ensure we respond appropriately to market challenges and opportunities.</p> <p>The loan book is subject to monthly reporting to the Credit Risk Committee in relation to its credit risk characteristics (which includes loan to value, loan to income, arrears, credit score profile, early delinquencies and arrears arising from cohorts of lending).</p> <p>The risk appetite is expressed in terms of asset quality and losses arising in a stressed scenario and remains well within the credit risk appetite set by the Board.</p>	<p> Risk remained static in 2025.</p> <p>During 2025 the Bank of England base rate has reduced by 100 basis points (1%), average earnings growth has eased yet remained above consumer price inflation. In line with base rate reductions, mortgage market rates have also trended down. These factors have both supported mortgage affordability and a rather subdued but positive trend in yearly house price inflation of around 0.3% (Halifax).</p> <p>Residential mortgage arrears remain broadly stable and well within risk appetite. Actual losses on residential mortgages lending remain extremely low.</p> <p>Loan impairment provisions during the year have experienced a small reduction, reflecting improvements in affordability and the wider credit risk environment. The level of loan impairment is aligned to historical experience and reflects expected macroeconomic trends.</p> <p>There remains significant uncertainty in the macroeconomic outlook, with persistent geopolitical tensions, new barriers to trade and changes to UK fiscal policy. The Group continues to monitor these uncertainties and the impact on borrowers' ability to pay.</p>

Principal Risk	Risk Management	Commentary
Conduct risk (Principal risk)	<p>The Group maintains a Conduct Risk Policy which is subject to review and approval by the Enterprise Risk Committee and Group Risk Committee, together with risk metrics relating to customer outcomes.</p> <p>Performance is measured against these within the Consumer Duty reporting to the Enterprise Risk Committee with oversight from the Group Risk Committee.</p> <p>The embedding of Consumer Duty, outcomes-based testing and supporting customers in vulnerable circumstances continued to be a key area of focus for the Financial Conduct Authority in 2025.</p> <p>All new products are approved by the Mortgage and Savings Committee, which includes consideration of an assessment of risks to customer outcomes. A customer outcomes dashboard is maintained, which looks at evidence supporting good customer outcomes (or suggesting poor customer outcomes) and this is reviewed monthly and reported to the Enterprise Risk Committee.</p> <p>The Group maintains independent oversight of the management of conduct risks, through approved monitoring plans, which are risk based and reviewed quarterly, with reporting to the Enterprise Risk Committee with oversight from the Group Risk Committee.</p>	<p> Risk stable at an elevated level in 2025.</p> <p>Conduct risk remains at the elevated level highlighted in 2024 given the higher standard of consumer care required by the Consumer Duty for new and existing products, which requires more proactive action to deliver good outcomes and fair value.</p> <p>Relevant control frameworks have been both maintained and improved during the year. This risk area remains a key focus, particularly in relation to further enhancing monitoring, testing of outcomes and taking appropriate action based on the insights.</p> <p>The Group provides a simple product range of savings and mortgages to its customers. Newcastle Financial Advisers provides financial advice as an appointed representative of the Openwork Partnership.</p>

Principal Risk	Risk Management	Commentary
Interest rate risk (Principal risk)	<p>The Group does not operate a trading book (there are no instruments that meet the specifications for trading book instruments as per Basel regulation) and therefore only has interest rate risk in the banking book (IRRBB).</p> <p>The Group uses structural hedging for retained profit, allocating these reserves to time buckets and offsetting exposures where possible. Remaining exposures from fixed mortgages and deposits are hedged with derivatives where necessary. A suite of prescribed and idiosyncratic stress scenarios are performed on a regular basis to assess vulnerability to net interest income and economic value of equity. Outcomes are reported to the Assets and Liabilities Committee along with any mitigating management actions.</p> <p>IRRBB components are included in funds transfer pricing (FTP) when considering product pricing. Product proposals also consider risks such as basis risk and maturity concentrations. Customer optionality is regularly reviewed and stressed to capture changes in customer behaviour.</p> <p>Interest rate risk and basis risk are monitored and reported monthly to the Assets and Liabilities Committee, including compliance with the Board approved risk appetite, captured across several metrics and limits.</p> <p>A suite of metrics is used to manage interest rate risks within risk appetite. These metrics are designed to address all sub-components of interest rate risk including basis risk, earnings risks, economic value risks, credit spread risks, duration and optionality risks.</p> <p>The Group completes regular stress testing analysis to ensure that IRRBB remains within appetite should such scenarios arise.</p>	<p> Risk remained static in 2025.</p> <p>Market volatility remained high in 2025, but the IRRBB framework ensured that the overall risk profile of the Group did not materially increase.</p> <p>The Group continues to maintain a robust interest rate risk framework and an effective hedging strategy. IRRBB continues to be managed within the Group's conservative risk appetite.</p>

Principal Risk	Risk Management	Commentary
Liquidity risk (Principal risk)	<p>The Group ensures it holds sufficient quality and quantity of liquidity to remain a going concern after a severe but plausible stress. Cash flow forecasts are used to forecast liquidity, ensuring future compliance with limits set by the Board. Wherever appropriate, the Group ensures it takes any necessary steps to ensure it has access to any available Bank of England facilities designed to support financial institutions, such as Indexed Long-Term Repos.</p> <p>Liquidity risk is monitored against limits and metrics defined within the approved Treasury Policy and Standards, including the Liquidity Coverage Ratio, Net Stable Funding Ratio and other internal firm-specific liquidity requirements, whilst the Internal Liquidity Adequacy Assessment Process is subject to both the Assets and Liabilities Committee and Board approval. Stress tests are used to ensure liquidity risk is managed within risk appetite.</p> <p>Liquidity is monitored daily with a fortnightly Liquidity Management Group in place and monthly reporting to the Assets and Liabilities Committee. The Group maintains a robust liquidity alert framework to trigger enhanced monitoring in times of higher risk.</p> <p>Investments are subject to a Group Risk Committee approved Treasury Policy, including limits on exposures to instruments, countries and counterparties. Investments are monitored and reported monthly to the Assets and Liabilities Committee.</p> <p>The mark-to-market value of investments in gilts, residential mortgage-backed securities, and covered bonds are monitored daily and reported to the Assets and Liabilities Committee monthly.</p>	<p> Risk remained static in 2025.</p> <p>Liquidity risk overall remains within our risk appetite and the Group maintains sufficient sources of both liquidity and contingent liquidity to access cash even under stressed circumstances.</p> <p>The Group successfully repaid £366.7m of Term Funding Scheme and Term Funding for SME during 2025.</p> <p>A securitisation issuance was successfully completed in 2025, with £350m issued externally and £300m retained for contingent liquidity purposes.</p> <p>The Group maintains a robust Treasury Policy governing such activity and focuses on investment in high-quality liquid assets.</p>

Principal Risk	Risk Management	Commentary
Operational risk, operational resilience & supplier, third party risks (Principal risks)	<p>Operational risk is subject to a Group Risk Committee approved policy, which covers the framework for the management of operational risk. This framework includes identification, assessment against risk appetite and management of risks through controls and control testing. The framework also defines procedures for reporting and responding to risk events, and operational losses.</p> <p>Losses due to operational risk, fraud and financial crime are monitored and reported.</p> <p>Material and emerging risks, taking into consideration internal and external influences, together with coverage across regulatory risk categories are used to inform scenario exercises to test business resilience, control effectiveness and operational recovery. Operational resilience is a significant area of focus. The operational resilience framework is subject to review and approval by the Group Risk Committee and the Board. This continues to mature in line with regulatory requirements, with important business services and associated impact tolerances defined, critical dependencies identified and a programme of severe but plausible exercises maintained to test the Group's ability to recover from severe disruption within defined tolerances. Identified vulnerabilities are assessed for any necessary remediation and eradication.</p> <p>It is accepted that the use of suppliers and critical third parties exposes the Group to the risk of disruption to important business services due to interruption to service provided by third parties. These risks are controlled and managed by maintaining a suitable supplier management framework.</p> <p>The Group has a defined and approved incident management process that sets out a clear structure for responding to and managing incidents.</p>	<p> Risk remained static in 2025.</p> <p>The Group's operational risk framework continues to mature and enables the effective identification, assessment and management of operational risk within approved risk appetites. There is increased current focus on change risk management, which is particularly appropriate given the investment in IT infrastructure across the Group's operations.</p> <p>Key risks and controls are identified and documented by all areas of the business, to understand the risk profile and to inform actions to maintain residual risks within defined appetite.</p> <p>As the Group's business model includes diversification via the Newcastle Strategic Solutions subsidiary, this increases exposure to operational risk, particularly in relation to IT systems capability and human error. There is ongoing focus on financial crime prevention to ensure that appropriate systems and controls for detection and prevention are maintained and are proportionate to the nature and scale of our business operations.</p> <p>Corporate insurance policies have been negotiated with regard to the key risks within the Group requiring greater mitigation.</p>

Principal Risk	Risk Management	Commentary
Cyber risk (Principal risk within operational risk)	The Group's information security framework comprises a suite of information and cyber security policies which are aligned to the Annex A controls structure of ISO27001:2022. These policies are subject to annual review and approval by the Enterprise Risk Committee, with the overarching Information Security Policy subject to review and approval by the Group Risk Committee. The Group maintains a mature information security capability comprised of 15 management control activities as defined within the ISO27001 standard. Risk and control self-assessment (as per the operational risk framework, and governance and management information reporting) is also undertaken. Cyber reporting is provided to the Enterprise Risk Committee with summary updates/escalation to the Executive Committee, Group Risk Committee and the Board. The Group continues to invest in its cyber resilience capability, through initiatives such as updating our security operations centre capability, utilising AI and machine learning for threat detection, developing brand protection, updating colleague training and awareness, continued penetration testing and updated incident playbooks through exercising.	<p>↔ Risk remained stable at an elevated level in 2025.</p> <p>The cyber risk threat remains elevated in 2025 in line with the increasing trend in 2024.</p> <p>The external cyber threat to the UK remains due to the current tense geopolitical environment. There is a continued development and evolution of ransomware, phishing and digital fraud and the growing use of AI by threat actors to generate attacks. The direct risk to the Group's business operations is deemed to be stable. The risk remains elevated but is considered stable given the continued investment in and enhancements to our cyber capability. Threat monitoring and reporting is ongoing. Corporate cyber insurance cover has been maintained at the same level of cover throughout 2025. We are carefully following how the Cyber Resilience Bill has been moving through the parliamentary approvals and will observe how this influences regulatory changes in the coming months.</p>

Principal Risk	Risk Management	Commentary
Climate change risk (Emerging risk)	<p>The Group is exposed to both physical risks arising from climate change (damage to homes from flooding for example) and transitional risks associated with adjusting towards a lower carbon economy.</p> <p>The Group has robust operational resilience processes and responses to manage the impact of any transient localised climate change events. The Group has also developed climate change scenarios and uses them in capital modelling and stress testing.</p> <p>The Group actively engages with industry groups in order to consider the range of potential long-term impacts that could arise from climate change.</p> <p>Climate risk remains an emerging risk given the uncertainty in relation to the exact nature and timing of climate-related events on the Group's strategy and operations.</p>	<p>↔ Risk was static in 2025.</p> <p>Climate change risk continues to be evident with an increased frequency and severity of climate-related events. The Society continues to use scenario analysis and modelling to guide its assessment of the risk. Our current estimate of potential loss attributed to it remains low.</p> <p>Exposure and potential impact will continue to evolve as Government policy develops and technology advances. During 2025, the Group has strengthened its strategic focus on environmental sustainability as a signatory to the United Nations Environment Programme Financial Initiative and committing to the related Principles of Responsible Banking Framework.</p>

Additional notes

Macroeconomic risk: Impacts from macroeconomic risks are closely monitored, reported and assessed and they are referenced within the commentary in this report rather than in a separate principal or emerging risk category as the movements are beyond the Group's control.

Investment credit risk: Investment credit risk would be referenced where relevant within liquidity risk rather than a separate principal risk category, for example if the lower credit quality of liquid assets had a material impact on available liquidity.

On behalf of the Board

Bryce Glover

Chair of the Group Risk Committee

5 March 2026

Our intent in Greater Manchester is to build something unique to the North West



Our Directors

Our Board members skills and experience contributes to delivery of a long-term and sustainable Society, details of which are found in their biographies.

James Ramsbotham Appointed August 2021 Chair

Experience

Prior to joining the Board, he was Chief Executive of the North East Chamber of Commerce for 15 years, and Chair of Darlington Building Society until December 2017.

Previously James was Vice Chair of North East construction firm, the Esh Group, and before this spent 14 years in Corporate Banking at Barclays Bank plc.

He was a soldier for 12 years with the Royal Green Jackets and benefited from executive education at Harvard (USA), INSEAD (France), and Oxford University, after graduating from Durham University.

Other roles

James is the Chair of Newcastle Strategic Solutions Limited as well as being Chair of the Society's Nominations and Governance Committee.

He is also a Pro-Chancellor of Sunderland University (2016); Honorary Colonel for The Rifles (2007), Lay Canon for Durham Cathedral (2025), Honorary Fellow of the Association of International Accountants (FAIA Hon.) (2017); and made a CBE for services to business and the North East economy in the 2019 New Year's Honours, and the North East economy in the 2019 New Year's Honours.



"Having been part of the mutual sector in various guises I am deeply committed to the unique way in which we can be catalysts for positive change in our communities."

Adam Bennett Appointed April 2019 Non-Executive Director

Experience

During his professional legal career, Adam advised building societies across a range of issues. He brings formidable legal insight and experience of different business models and structures, important given the Group structure, which includes two key subsidiaries, Newcastle Strategic Solutions Limited and Newcastle Financial Advisers Limited.

Adam has advised on rules of building societies, on corporate governance, including compliance with the UK Corporate Governance Code, and on the powers and statutory and fiduciary duties of Directors, all of

which contribute to ensuring the Society deals with its Members, colleagues and stakeholders in a responsible, trustworthy and ethical manner.

Other roles

Adam is the Senior Independent Director and a member of the Society's Group Risk Committee and the Nominations and Governance Committee, upholding the Society's commitments to financial control, integrity and regulation.



"Having specialised in advising building societies at a law firm for 37 years, I have a deep knowledge of the mutual sector and my understanding of its associated corporate governance and regulatory requirements contributes to the Board's diverse spectrum of expertise."

Andrew Haigh Appointed January 2014 Chief Executive

Experience

With over 30 years' experience in the mutual sector, Andrew has a background in marketing and an extensive track record in transforming and developing businesses. He has held financial services leadership roles as both an Executive and a Non-Executive Director, reinforcing the Board's depth of consumer understanding. His previous experience is drawn from a variety of sectors including the financial services, technology, automotive and airline industries.

Andrew became the Society's Chief Executive in May 2015. A proven Chief Executive, Andrew has particular

strength in building effective leadership teams and organisations with a strong sense of social purpose, supporting sustainable business models and healthy, customer focused cultures. He proudly drives our Society's ongoing commitment to equality, diversity and inclusion.

Other roles

Andrew is a Director and Chair of Newcastle Financial Advisers Limited and is a Board member of the North East Chamber of Commerce.



"I'm hugely passionate about the role of mutuals, focused on delivering a balance of meaningful Member value and profitability, enabling long-term positive impact in our communities."

Rory Campbell Appointed June 2023 Non-Executive Director

Experience

Rory brings extensive experience as a senior executive, Board member and advisor to organisations across a range of industries. Rory spent six years at John Lewis & Partners, including three years on the Management Board, and twelve years as a senior Executive within Lloyds Banking Group.

Reflecting the Society's values, Rory is passionate about purpose, society and leadership; he is Partner of The Alexander Partnership, supporting senior executives and Boards of international firms to deliver business outcomes through leadership and team effectiveness.

Other roles

Rory is a Visiting Fellow of Nottingham Business School; an Independent Chair of Trustees of Ignite Consulting Trustee Ltd and a Fellow of The Royal Society for the Encouragement of Arts, Manufactures and Commerce.

For the Group, Rory chairs the Remuneration Committee, is a member of the Nominations and Governance Committee, is the Board Sponsor for Diversity, Equity & Inclusion and Board Champion for Consumer Duty.



"I'm passionate about harnessing our Society's connection to Purpose, while ensuring we have the strength to deliver long-term impact. I will continue to bring my experience working with businesses and leaders to unlock our best performance."

Committee Key:

Member of Audit Committee

Member of Group Risk Committee

Member of Remuneration Committee

Member of Nominations Committee

Director of NSSL

Director of NFAL

Mick Thompson Appointed January 2019
Deputy Chair and Non-Executive Director

Experience

Mick brings significant accountancy experience with a deep knowledge of audit to support the Society's governance and audit function.

His diverse skillset and broad range of perspectives derives from vast sector experience that has seen him work in industries including housebuilding, social housing, education, engineering, charities and financial services.

Mick spent 21 years as a Partner and nine years as Office Senior Partner at KPMG Newcastle.

Other roles

He is a Non-Executive Director of The Clinkard Group Limited, Atlas Cloud Limited and NorthStandard Ltd.

Recognising the importance of charitable action and giving back to causes throughout the region, Mick is also a Trustee of Greggs Foundation Charity; Trustee of NUFC Foundation Charity; Trustee of Tyne and Wear Building Preservation Trust, and Regional Treasurer of The Lord's Taverners Charity.

He chairs the Group's Audit Committee, as well as being a member of the Group Remuneration Committee and in 2025 joined the Group Risk Committee. Mick also chairs the Newcastle Building Society Pension & Assurance Scheme Board.



"My wide-ranging Board portfolio, particularly in the charity sector, is well aligned to the Society's community focus and contributes to a better understanding of the issues affecting this sector."

Karen McDonagh Reynolds Appointed April 2025
Non-Executive Director

Experience

Karen brings over two decades of senior technology and operational leadership across regulated industries and the not-for-profit sector. Her career spans housing associations, charities and major financial institutions, including Aviva and WTW, where she led complex transformation programmes and large-scale technology delivery.

Recognised as one of the UK's top 100 technology leaders, with repeated inclusion in the CIO 100 (2021, 2023 and 2024), Karen is known for driving high impact digital transformation while maintaining a strong focus on people, performance and purpose. She is passionate about harnessing technology to enhance outcomes for customers, colleagues and the wider organisation.

As a certified coach and advocate for inclusive leadership, Karen focuses supporting mid-career professionals and is a frequent public speaker on technology, diversity and inclusion. She is particularly committed to championing women in tech and has long supported apprenticeships and widening access to technology careers.

Karen brings a people-first approach to governance, cultivating trust-based high-performance cultures that empower individuals to thrive, aligning seamlessly with Newcastle Building Society's ethos.

Other roles

Karen is a member of the Group's Audit Committee and a Director of Newcastle Strategic Solutions Limited.



"I bring proven experience in transformation with a people-first approach, ensuring Newcastle Building Society grows stronger while staying true to its Purpose for all Members and our communities."

Richard Gabbertas Appointed December 2025
Non-Executive Director

Experience

Richard was with KPMG for almost 40 years, and as a Partner he led its building society practice for 23 years, advising and auditing a wide range of societies, from the largest to the smallest. In his advisory roles, Richard specialised in regulation, governance, risk management and mergers and acquisitions.

He has also worked with a wide range of retail financial institutions, from FTSE 100 banks to small, local mutuals across UK regions.

Other role

Richard is a Director of Arbutnot Banking Group where he chairs the Board Risk Committee, and previously, the Audit Committee. He was a Director of Recognise Bank until July 2025, where he chaired the Audit Committee for six years.

Richard is a member of the Group's Audit Committee and Group Risk Committee.



"My professional life was rooted in supporting the mutual sector and its values, and I am immensely proud to be returning to the sector and a building society that espouses those values so passionately in everything it does."

Andrew Conroy Appointed February 2026
Chief Financial Officer

Experience

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

Other roles

Andrew is Chair of the Group's Assets and Liabilities Committee and, as Chief Financial Officer, has responsibility for the Group's Finance, Treasury, Property and Third Party Management functions, along with oversight of its recovery plan and associated activities.



"Much of my career has been in the building society sector due to my belief that mutuals help Members achieve financial goals and positively impact their communities. I have joined the Society to use my experience to balance safeguarding the Group's financial position with investing in positive change and increasing Member value."

Committee Key:

Member of Audit Committee

Member of Group Risk Committee

Member of Remuneration Committee

Member of Nominations Committee

Director of NSSL

Director of NFAL

Outgoing Directors

We extend our sincere thanks to these outgoing Directors for the invaluable expertise and contributions that have significantly shaped the future of our Society for the benefit of all our stakeholders.

Moorad Choudhry

Moorad's tenure on the Board, supported by his distinguished career in treasury and wholesale banking, has provided the Society with helpful technical insight and high-level decision-making support. His contributions to the Group Risk Committee and his insight in the principles of banking have reinforced our commitment to maintaining robust financial standards and governance.



Stuart Miller

During his eight-year tenure, Stuart made a significant contribution to the progress of the Group, bringing his customer oriented focus to leadership roles in both the Society and in Newcastle Strategic Solutions.



Michele Faull

Michele has made a significant contribution to the Society since joining the Board in 2021. As a valued member of the Audit Committee, she applied her extensive technical knowledge and practical experience to strengthen oversight across financial reporting, risk and governance.



Amanda Shepherd

As Chief Operating Officer, Amanda applied her extensive experience in operations and technology to align our customer service and change strategies with the Society's overarching Strategic Plan.



Bryce Glover

Bryce has provided invaluable commercial and retail banking expertise since 2017, leveraging his understanding of the mutual sector to help shape the Group's long-term strategy. As Chair of the Group Risk Committee, his industry knowledge and business acumen have strengthened our risk framework and supported the continuing growth of Newcastle Strategic Solutions.



Anne Shiels

Since 2017, Anne has brought leadership and organisational transformation expertise to the Board, ensuring a strong focus on people, culture and governance. As Chair of the Remuneration Committee, her role as a trusted adviser has helped guide our leadership development and the maintenance of rigorous board-level controls.



Chris Keay

Drawing on his nearly four decades of financial services experience, Chris provided leadership in regulation, risk and operations during his tenure on the Board in 2025. His extensive background in retail banking and risk management across diverse sectors help ensure that our strategic decisions remained firmly rooted in both operational excellence and a deep commitment to our customers' interests.



Directors' Report

The Directors present their Annual Report and Accounts and Annual Business Statement for the year ended 31 December 2025, which they consider to be fair, balanced and understandable, providing Members with the information necessary to assess the Group's and Society's position and performance, business model and strategy.

Objectives and activities

It is the intention of the Directors that the Society, as parent company of the Group, will continue to remain an independent regional building society. The Society's Purpose and strategy are set out in the Strategic Report.

Business review and future developments

The Chief Executive's Review and Strategic Report set out the business activities and business performance in the year against our strategic objectives, as well as likely future developments. The Strategic Report also outlines the Group's and Society's key performance indicators (KPIs), which include customer, colleague and financial KPIs, details of the Group's and Society's customer focus, colleague agenda, financial analysis, mortgage credit quality, funding and capital position.

The Annual Business Statement and the Credit Risk Notes, 38 to 40, contain respectively the ratios and arrears disclosures required by the Building Societies Act 1986.

Going concern and long-term viability assessment

Financial planning, risk and stress testing

The Group's financial planning includes a detailed budget for the next financial year and a forecast for a number of financial years thereafter, which covers a minimum three-year period and considers a range of outcomes relative to internal and external conditions. Achievement of long-term plans and goals is not guaranteed, given the uncertainty in predicting macro-economic factors long into the future, which may materially impact the Group's performance and could also lead to changes in the Group's business strategy.

The Strategic Report includes a description of the Group's business activities and any factors likely to affect its future development, as well as details of the Group's financial performance and position, including liquidity and capital structure. The Group's principal risks, including the strategy for managing these, are detailed in the Risk Management Report. Further details in respect to interest rate risk, liquidity risk and capital risk are provided in the notes to the Annual Accounts (see notes 34, 41 and 42 (respectively)).

The Group performs detailed capital and liquidity stress testing at least once per year in the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) in line with regulatory requirements.

The ICAAP stress test ensures that the Group's forecast of capital requirements and capital generation are resilient to 'severe but plausible' stresses to the Group's external or internal environment, far beyond the levels forecast in the most negative scenarios

considered in the Group's longer-term plan. The stress test demonstrates that the Group's capital buffers are sufficient to absorb the level of potential capital erosion considered in the stress scenario, continuing to meet minimum regulatory capital requirements.

The ILAAP stress test ensures that the Group holds adequate liquid assets to meet both its business as usual liquidity needs and increased liquidity requirements that could occur as a result of entering a period of stress. The Group is forecast to hold a sufficient quantity and quality of liquid assets over the following three-year period to be able to meet its liabilities as they fall due, even in the event of a severe but plausible stress scenario.

Assessment of the appropriateness of preparing the Annual Accounts on a going concern basis

The Directors are required to satisfy themselves that it is appropriate to adopt the going concern basis of accounting when preparing the financial statements in accordance with IAS 1 Presentation of Financial Statements and guidance from the Financial Reporting Council.

The Directors' going concern review considered the Group's and Society's forecasts, including different possible scenarios based on possible internal and external developments and arising risks. Together with regular stress testing, the forecasts show that the Group and Society will be able to maintain adequate levels of both liquidity and capital for at least the next 12 months while meeting all relevant regulatory requirements.

After making enquiries, the Directors are therefore satisfied that both the Group and the Society has adequate resources to continue in business for at least the next 12 months and therefore it is appropriate to adopt the going concern basis of accounting in preparing these financial statements. The Directors have concluded that there are no material uncertainties that may cast significant doubt upon the Group and Society's ability to continue to apply the going concern basis of accounting.

Assessment of the Group's and Society's long-term viability

The Directors have assessed the long-term viability of the Group and the Society over the three years to December 2028. The assessment considered the Group's and Society's principal and emerging risks, including both external factors, such as economic stresses, and internal factors, such as operational events, and relevant management actions and controls, including the Board's risk appetite and performance against risk limits. It considered the Group's and Society's financial forecasts, including profitability, capital and liquidity positions. It also considered the most recent ICAAP and ILAAP stress tests, complemented by further stress tests and forecasts completed considering the December 2025 position, to ensure the viability of the Group and Society even in times of severe stress. The most significant stress scenario which was considered included an increase in unemployment to 8.5% and house price falls of 28% over the period 2026 to 2028.

Based on this assessment, the Directors have a reasonable expectation that both the Group and Society will continue in operation and meet their liabilities as they fall due over the period to December 2028.

The Directors consider three years the most appropriate period for the viability assessment, as it is within the period covered by the financial forecasts and the stress testing undertaken by the Group and Society, but does not extend too far into the future, where forecasts become increasingly more uncertain.

Risk management, principal risks and uncertainties

The Risk Management Report sets out the principal risks and uncertainties faced by the Group together with the risk management framework and risk governance structure. The Risk Management Report also details how the Group mitigates the specific key risks to which it is exposed, which are capital risk, climate change risk, conduct risk, credit risk (commercial, investment and residential), liquidity risk, interest rate risk and operational risk (including cyber risk). In addition, the Credit Risk notes, 38 to 40, set out the metrics associated with the key risks including sensitivity analysis and exposure level.

Mortgage arrears

As at 31 December 2025, there were 45 cases (2024: 42) where payments were 12 months or more in arrears. The capital balance of these loans was £8.9m (2024: £4.3m). The total amount of arrears on these loans was £0.6m (2024: £0.6m).

Political and charitable gifts

Community funding, including charitable donations and colleague fundraising, totalled £129,721 in 2025 which were predominantly made to the Newcastle Building Society Community Fund at the Community Foundation North East, (2024: £1,535,731, which included one-off donations totalling £1.3m to the Newcastle Building Society Community Fund at the Community Foundation North East, Salford Youth Zone, Forever Manchester Community Foundation and Newcastle United Foundation, enabled through the Reclaim Fund).

In 2025, colleagues continued to deliver on the Group's Purpose of making a positive difference to the people who make up its heartland. A variety of fundraising activities secured a colleague and customer fundraising contribution of £10,032 in aid of the Newcastle Building Society Community Fund and other charities.

Volunteering was also a key focus for colleagues who gave their time and skills to good causes throughout our regions delivering more than 9,000 hours (2024: 10,000+ hours) of support to local communities.

The Group has not made any political donations during 2025 (2024: £nil).

Supplier payment policy

The Group follows an internal policy that payment to suppliers will be made within 30 days from receipt of an invoice and endeavours to meet individual supplier payment terms which may be set at shorter timescales. At 31 December 2025, the number of creditor days was 27 (2024: 27 days).

Directors

At 31 December 2025, the members of the Board, who have served at any time during the year and continue to act as Directors, are as follows:

James Ramsbotham, Adam Bennett, Rory Campbell, Richard Gabbertas, Bryce Glover, Andrew Haigh, Chris Keay, Anne Shiels, Karen McDonagh Reynolds, and Mick Thompson.

The following Directors joined the Board in 2025:

- Moorad Choudhry – appointed on 2 January 2025
- Richard Gabbertas – appointed on 1 December 2025
- Chris Keay – appointed on 5 September 2025
- Karen McDonagh Reynolds – appointed on 23 April 2025

The following Directors stepped down from the Board in 2025:

- Moorad Choudhry – stepped down on 30 November 2025
- Michele Faull – stepped down on 23 April 2025
- Stuart Miller – stepped down on 9 September 2025
- David Samper – stepped down on 31 March 2025
- Amanda Shepherd – stepped down on 22 August 2025

Andrew Conroy joined the Society as the Chief Financial Officer and was appointed as a Society Director on 2 February 2026. He will be standing for election at the AGM.

At the Annual General Meeting, to be held on 28 April 2026, all of the current Directors will offer themselves up for either election or re-election, with the exception of Chris Keay who will be stepping down as Director before the Annual General Meeting, and Bryce Glover and Anne Shiels, who will be stepping down as Directors at the Annual General Meeting.

Directors and Officers insurance has been put in place by the Group.

All Directors are Members of the Society.

Please see the Remuneration Committee Report for further information.

Independent auditors

A resolution to re-appoint Deloitte LLP will be proposed at the Annual General Meeting.

Statement of disclosure to External Auditor

So far as each Director is aware, there is no relevant audit information of which the Group's External Auditor are unaware. Each of the Directors, whose names and functions are listed in the Our Directors section have taken all 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 External Auditor are aware of that information.

Corporate governance

The Group's statement on corporate governance can be found in the Report of the Directors on Corporate Governance.

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the Statement of Auditors' Responsibilities, is made by the Directors to explain their responsibilities in relation to the preparation of the Annual Report and Accounts, Annual Business Statement and Directors' Report.

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulation. The Building Societies Act 1986 (the Act) requires the Directors to prepare Annual Accounts for each financial year.

Under that law, the Directors have prepared the Group and Society Annual Accounts in accordance with International Financial Reporting Standards (IFRSs). Under the Act, Directors must not approve the Annual Accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Society and of the profit or loss of the Group and Society, both as at the end of the financial year. In preparing the Annual Accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable accounting standards have been followed and the financial statements have been prepared in accordance with International Accounting Standards, subject to any material departures disclosed and explained in the Annual Accounts;
- make judgements and accounting estimates that are reasonable; and
- prepare the Annual Accounts on the going concern basis unless it is inappropriate to presume that the Group and Society will continue in business.

The Directors consider that the Annual Report and Accounts are fair, balanced and understandable, when taken as a whole, and that they provide the information necessary for Members to assess the Group's and Society's performance, business model and strategy. In addition to the Annual Accounts, the Act requires the Directors to prepare an Annual Business Statement and a Directors' Report for each financial year. Each contains prescribed information relating to our business and subsidiary undertakings. We are also required to provide details of Directors' remuneration in accordance with part VIII of the Act and regulations made under it.

The Directors are also responsible for safeguarding the assets of the Group and Society and hence for taking reasonable steps in the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Group and Society:

- keep adequate accounting records that are sufficient to show and explain the Group's and Society's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group and Society and enable them to ensure that the Annual Accounts comply with the Act, as regards the Group Financial Statements; and

- take reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by both the Prudential Regulation Authority and the Financial Conduct Authority under the Financial Services and Markets Act 2000.

The Disclosure and Transparency Rules of the Financial Conduct Authority require the Annual Report and Accounts to include:

- the audited Accounts for the Group and Society;
- a Strategic and Risk Report that includes a fair review of the business and a description of the principal risks and uncertainties; and
- responsibility statements (see below).

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

Each of the Directors, whose names and functions are listed in the Our Directors section, confirm that, to the best of their knowledge:

- the Group and Society Annual Accounts, which have been prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of the Society; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Society, together with a description of the principal risks and uncertainties that they face.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as each Director is aware, there is no relevant audit information of which the Group's and Society's External Auditor are unaware;
- they 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 Society's External Auditor are aware of that information; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for Members to assess the Group's and Society's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 5 March 2026 and is signed on its behalf by:

On behalf of the Board

James Ramsbotham
Chair

5 March 2026

Report of the Directors on Corporate Governance

Introduction

Corporate governance is the system of rules, processes and practices which governs the way the Group is controlled and makes decisions. In discharging its responsibilities, and to be accountable to Members for the operation of the Society, the Board regards good corporate governance as extremely important to enhance performance and ensure compliance with regulatory and legal requirements.

The Financial Reporting Council issued the updated UK Corporate Governance Code (the Code) in January 2024. The 2024 edition of the Code applies to financial years beginning on or after 1 January 2025. Whilst the Code is addressed to listed companies, the Prudential Regulation Authority expects all building societies to have regard to the Code, in so far as is relevant to a building society.

The Code contains a set of principles that emphasise the value of good corporate governance to long-term sustainable success. At the heart of the Code is the culture and purpose of an organisation: putting the relationship between organisations and their stakeholders at the core of its principles designed to promote long-term sustainable growth in the UK economy.

The Board considers it to be best practice, and in the best interests of all stakeholders, to consider the Code when establishing and reviewing corporate governance arrangements. Procedures and processes are regularly reviewed to ensure they are appropriately aligned with the Code, including when updates or revised guidance are published.

This report, together with the Audit Committee Report, the Risk Committee Report, and the Remuneration Committee Report, outlines the Society's approach to corporate governance and how the Board considers it has demonstrated application of the principles of the Code throughout 2025.

The Board

The Society recognises that it must be headed by an effective Board which is responsible for the long-term sustainable success of the Society, whilst acting in the best interests of current and future Members and other stakeholders.

James Ramsbotham is the Chair of the Board and Mick Thompson is the Deputy Chair. Adam Bennett is the Senior Independent Director, providing a sounding board for the Chair and, where necessary, serving as an intermediary for the Directors, Members and stakeholders.

Further details of the composition of the Board are detailed in the Our Directors section of the Annual Report and Accounts.

In carrying out its role, the Board aims to achieve its strategic goals for the benefit of the Society's Members and other stakeholders. The Board has responsibility for setting the purpose and values of the Group and believes that the interests of all stakeholders can be best served by remaining a strong and forward-looking mutual, Purpose powered building society.

An effective Board should not necessarily be a comfortable place; constructive challenge, as well as teamwork, being essential features to ensure that decisions are made in the best interests of the Society. Open, honest and transparent debate by the Directors is something which is encouraged by the Chair. The Board recognise the importance of self-reflection and at each Board meeting, the Directors are encouraged by the Chair to undertake an open discussion in regard to the effectiveness of the meeting and the behaviours demonstrated during discussions. A culture of openness and accountability exists within the Group at every level and Non-Executive Directors regularly meet throughout the year with members of the Executive team to ensure a good understanding of the business and to promote strong relationships amongst the Board.

There is a clear division of responsibilities between the running of the Board and the Executive responsibility for the running of the Group's business. The roles of Chair and Chief Executive are exercised by different people within the Group, ensuring that no one individual has unfettered powers of decision.

Board composition and independence is important to safeguard the Board's ability to fairly and objectively direct the affairs of the Group and to make balanced decisions. The Board includes an appropriate combination of Executive Directors and independent Non-Executive Directors so that no individual or small group of individuals can dominate the Board's decision making. The composition of the Board reflects an appropriate balance of skills and comprises of eight Non-Executive Directors and two Executive Directors as at the end of 2025.

Details of the Society's Board Committees are set out later in this report.

Matters reserved to the Board

The responsibilities of the Board are set out in the Board's Terms of Reference, which can be found on the corporate governance section of the Society's website. The Board's Terms of Reference are reviewed on a regular basis.

A schedule is maintained of matters reserved to the Board which includes the following:

- **Strategy and management:** determining the overall strategy of the Group including approval of the Strategic Plan, with the responsibility for its implementation delegated to the Executive team; monitoring operational and financial performance in pursuit of the strategy; overseeing and approving the Group's recovery plans, playbook, and resolution pack on an annual basis; monitoring the indicators and overseeing any proposed actions in accordance with the playbook; approving budgets, forecasts and major capital expenditure or major disposal; approving any extension of the Group's activities into new business or geographical areas; and approving any decision to cease all, or a material part, of the Group's business.

- **Culture:** overseeing and setting the tone for the culture, values and behaviours of the Group ensuring that the interests of Members and customers and good outcomes are central to the Group's culture and Purpose and are embedded within the Group; and overseeing and setting the tone for diversity, equity and inclusion within the Group.
- **Structure, capital and liquidity:** approval of the Group's Internal Liquidity Adequacy Assessment Process (ILAAP); approval of the Group's Internal Capital Adequacy Assessment Process (ICAAP); approval of changes to the Group's corporate structure; approval of any programme for the issuance or buy back of long-term debt or capital; and approval of any utilisation of Bank of England emergency liquidity support.
- **Financial reporting and internal controls:** approval of stock exchange announcements, half year and annual results; approval of the Annual Report and Accounts including the Strategic Report, Risk Management Report, Report of the Directors on Corporate Governance, and the Remuneration Committee Report; approval of the Pillar 3 disclosures; ratification of the going concern and business viability review following review and approval by the Audit Committee; approval of any significant changes in accounting policies or practice based on the recommendations of the Audit Committee; and ensuring an adequate internal control environment is in existence. The Board delegates oversight of internal controls to the Audit Committee.
- **Risk management and regulatory:** ensuring an adequate risk management framework is in place and that good customer outcomes are a central focus to business processes. This includes approval of risk appetite, oversight of risk governance, reviewing the top risks, ensuring the strategy and risk appetite are consistent, and approving the ICAAP. Oversight of the assessment of the financial and other risks from climate change that affect the Group and actions to address these risks within the Group's overall business strategy and risk appetite. The Board delegates oversight of risk management to the Group Risk Committee, as well as oversight of compliance with regulations (including by the Prudential Regulation Authority and the Financial Conduct Authority). Assessment, at least on an annual basis, of the Society's delivery of good outcomes for Members and customers, including but not limited to the Consumer Duty Annual Board Report.
- **Senior Managers and Certification Regime:** ensuring that the Society meets its obligations under the Senior Managers and Certification Regime (SMCR), including: reviewing at least annually the SMCR Policy; and maintaining a responsibilities map for all prescribed responsibilities and ensuring all prescribed responsibilities have been allocated.
- **Operational resilience:** the Board retains oversight and approval of the operational resilience strategy and matters prescribed in regulatory requirements.

- **Board membership and Senior Management issues:** approval of changes to the structure, size and composition of the Board, following recommendations from Nominations Committee; ensuring that adequate succession planning for the Board and Senior Management is in place following recommendations from the Nominations Committee; and approving and overseeing appointments to the Boards of subsidiary companies.
- **Appointment and/or re-appointment or removal of the External Auditor:** to be put to Members for approval, following a recommendation from the Audit Committee.
- **Remuneration:** agreeing the Remuneration Policy for the Directors and other senior Executives, following recommendations from the Group's Remuneration Committee.
- **Delegation of Authority:** approval of the responsibilities of the Chair, the Chief Executive and the Senior Independent Director; approval of the delegation of authorities to the Chief Executive; ratifying the terms of reference for Board committees and subsidiary companies; and receiving minutes and/or reports from the Chairs of the Board committees and subsidiary companies.
- **Corporate governance matters:** to ensure that a formal evaluation of the effectiveness of the Board is undertaken and to facilitate an assessment by external consultants at an opportune time; determining the independence of Directors; reviewing the Group's overall corporate governance arrangements; agreeing the Directors' Conflicts of Interest Policy and other relevant policies; approval of the Notice of any General Meeting of the Society including all resolutions to be put forward to Members; and insurance: approval of overall levels of insurance for the Group, including Directors and Officers liability insurance.
- **Whistleblowing:** receive reports from Audit Committee regarding the adequacy of arrangements for colleagues to raise concerns, in confidence, about possible wrongdoings in financial reporting or any other matter. To formally approve any changes to the reporting arrangements for colleagues to raise concerns, following a recommendation from Audit Committee. To routinely receive reports (if any) from Audit Committee regarding any reports for concern that has been received from colleagues and to ensure that arrangements are in place for the proportionate and independent investigation of such matters and appropriate follow up action.
- **The Society's Defined Benefit Pension Scheme:** the consent of the Board is required to amend the Pension Scheme's Trust Deed and Rules; and the Board approves of the appointment/removal of Society nominated Trustees.

Board changes in 2025

Appointments

Karen McDonagh Reynolds joined the Board as a Non-Executive Director in April 2025. Karen has a wealth of experience with over two decades of senior technology and operational leadership. Aligning to the Group's ethos, Karen supports the Society's inclusive culture and is an advocate for inclusive leadership. She has a passion for supporting mid-career professionals and championing women in technology careers.

Chris Keay was appointed as an Executive Director on the Board in September 2025. Chris joined the Society in 2018 and is a valued member of the Executive Committee as the Group's Chief Risk Officer. With nearly four decades of experience in the financial services sector, Chris brings to the Board a vast experience in regulation, risk and operations.

Richard Gabbertas was appointed to the Board as a Non-Executive Director in December 2025. Richard previously worked at KPMG for over 40 years, 25 of them in financial services. Having led KPMG's regional financial services practice, Richard now brings his in-depth financial services experience to the Board as a Non-Executive Director of the Society.

Resignations

In addition to welcoming new members to the Board, the following resignations from the Board took place over 2025:

- David Samper (Chief Financial Officer) resigned on 31 March 2025.
- Michele Faull (Non-Executive Director) resigned on 23 April 2025.
- Amanda Shepherd (Chief Operations Officer) resigned on 22 August 2025.
- Stuart Miller (Chief Commercial Officer) resigned on 9 September 2025.
- Moorad Choudhry (Non-Executive Director) resigned on 30 November 2025.

Following the resignation of David Samper as Chief Financial Officer, we welcomed Paul Astruc to the Executive Committee, as Interim Chief Financial Officer. Paul was a strong interim appointment with over three decades of experience in the banking and building society sector. Paul left the Society in December 2025. As announced in September 2025, we are pleased to appoint Andrew Conroy into the permanent role of Chief Financial Officer. Andrew joined the Society on 2 February 2026. He was appointed to the Board on 2 February 2026 and will be standing for election at the 2026 Annual General Meeting. Andrew has extensive experience across the financial services sector, including prior leadership and senior roles at other building societies. More details regarding Andrew Conroy can be found in the Our Directors section.

Directors standing for election or re-election at the 2026 Annual General Meeting (AGM)

All of the Society's Directors are standing for either election or re-election at the AGM, with the exception of:

- Chris Keay who will be retiring as the Chief Risk Officer and an Executive Director at the end of March 2026; and
- Anne Shiels and Bryce Glover will be stepping down as Non-Executive Directors at the 2026 AGM having served their tenure on the Board.

Andrew Conroy will be standing for election at the 2026 AGM.

The biographies of all the Directors standing for election or re-election are detailed in the Our Directors section of the Annual Report and Accounts and provide further details of how the Board members' skills and experience contribute to delivery of a long-term and sustainable Society.

Copies of the Terms of Engagement for all the Society's Directors are available on request, and at the AGM.

Management information

The Chair is responsible for ensuring that the Directors receive accurate, timely and clear information to enable the Board to discharge its duties effectively. The Board meet at least 10 times per year, at appropriate times during the financial reporting period. Board Directors receive meeting packs in advance of each Board meeting. Management information is provided to Directors throughout the year and the content of the management information is regularly assessed to ensure it remains relevant to the Society's operations and business model. The Board has an annual Board agenda planner to ensure that all key areas are covered in a timely manner during the year and sufficient time is set aside at each meeting to ensure that constructive discussion and challenge can take place.

All Directors have access to independent professional advice, if required, and also access to the services of the Group Secretary.

Board performance reviews

The Board recognise the importance of reflecting on the performance of the Board, its committees, the Chair and individual Directors. This is undertaken through both formal and rigorous annual internal reviews and through externally facilitated reviews.

In 2025 an internal Board performance review was undertaken in the form of a survey which was completed by all Directors. The detailed results and feedback were presented to the Board in March 2025, which included:

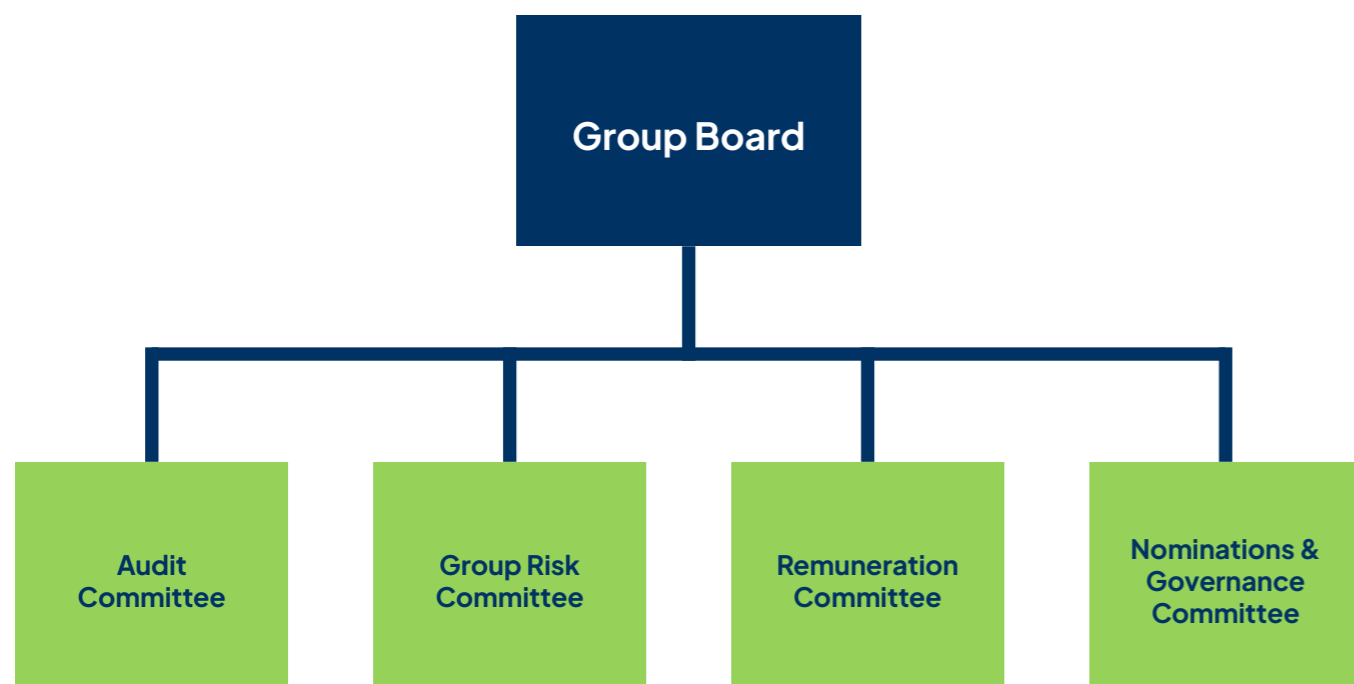
- the skills mix of the Board is considered strong by our Directors. It was recognised across the Board the importance to continuously improve and enhance the succession planning;
- the Directors recognise the importance of modelling the Society's behaviours and to lead by example in this area; and
- the Chair scored highly in the review in allowing everyone the opportunity to contribute or challenge and ensuring sufficient time is given to key matters.

The changes to the composition of the Board in 2025 are outlined earlier in this report. Through strong recruitment and succession planning we have ensured that there continues to be a strong skills mix on the Board. Further details of the Directors' skills and experience can be found in the Our Directors section of the Annual Report and Accounts.

An action plan was further reported to the Board in June 2025 to ensure that areas of improvement and enhancement were tracked and monitored by the Board. Following feedback within the review for the inclusion of more strategic discussions within Board meetings, changes have been implemented on the Board agenda to ensure that there is a clear focus on strategic matters for Board meetings. Enhancement to Board reporting has been undertaken over 2025 so that there is continuous improvement in the quality of strategic reporting to the Board. The Board has continued to demonstrate its commitment to exercising good behaviours. At the start of each Board meeting the Directors consider 'how they will operate' during the meeting and at the end of each meeting the Directors reflect on how well this was executed.

The Society undertook an external performance review of Board committees and Subsidiary Companies in 2025. The review was undertaken by Bvalco, an external, independent provider of Board performance reviews. Scoping meetings for the review were undertaken with the Group Chair, Group Chief Executive and the Chair of each Board committee. The review was undertaken by survey questions, face-to-face interviews, review of committee packs and observation of committee meetings. Bvalco presented their key findings to the Board in June 2025, including:

- each committee was found to be functioning well with mostly consistent views of the relative effectiveness of each;
- committees are chaired well with good evidence of effective relationships between Executives and committee Chairs; and
- there is a continuing need to improve on the quality of papers coming in to the committees.



The Nomination and Governance Committee have fully considered the feedback and findings of the Bvalco report. Notwithstanding the positive findings of the report, as outlined above, an action plan has been approved by the Nominations and Governance Committee to support the continuous enhancements to the performance of the Board committees.

The Board, having regard to the Code, recognise the importance of conducting external performance reviews of the Board. The Board will be commissioning an externally facilitated performance review of the Board in 2026.

In compliance with the Code, Non-Executive Directors hold the Executive Directors to account against agreed performance objectives. As part of this scrutiny, throughout 2025 the Chair, James Ramsbotham, met separately with the Non-Executive Directors without the Executive Directors present. The conclusions of the scrutiny undertaken by the Non-Executive Directors concluded that all Executive Directors were fulfilling their duties and performing against their agreed performance objectives.

Board Committees

The Board delegates certain matters to Board Committees which comprise of Non-Executive Directors members who have the most relevant experience to consider those matters delegated by the Board. The Board Committee meetings are also attended by the relevant Executive Directors in an advisory capacity. The Chair of each Board Committee reports to the Board at a subsequent Board meeting on matters discussed at each Committee meeting to ensure that all Board members have Committee oversight.

The roles and responsibilities of each Board Committee are set out in their individual Terms of Reference, which are reviewed on an annual basis. Terms of Reference for the Audit Committee, Group Risk Committee, Remuneration Committee and Nominations and Governance Committee are included on the Society's website (<https://www.newcastle.co.uk/who-we-are/our-governance/our-committees>).

Details of the Committee performance reviews undertaken in 2025 is set out above in the Board Performance Reviews section.

Information concerning attendances at the meetings is detailed in the Board and Board Committee Membership Attendance Record section of this report.

Audit Committee

Details of the Audit Committee are contained in the Audit Committee Report. Through the work of the Audit Committee and Internal Audit Services during 2025, the Directors have carried out a review of the Group's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls.

Group Risk Committee

Details of the Group Risk Committee are contained in the Risk Management Report.

Remuneration Committee

Details of the Remuneration Committee are contained in the Remuneration Committee Report.

Nominations and Governance Committee (Nominations Committee)

The current Members of the Nominations Committee are James Ramsbotham (Committee Chair), Adam Bennett, Rory Campbell and Anne Shiels. The Nominations Committee is supported by the Chief Executive and the Chief People Officer, who attend the meetings in an advisory capacity only. Rory Campbell is the Board representative from the Nominations Committee who sits on the Society's Diversity, Equity and Inclusion Steering Committee.

The Nominations Committee operates to a rolling agenda to ensure it discharges its full responsibilities. In 2025 it met on five occasions.

The Committee's overarching purpose is:

- to assist the Chair in keeping the composition and succession of the Board, its committees and the Group's subsidiary company Boards under review;
- to lead in the appointments process for nominations to the Society Board and its Senior Management appointments;
- to review the Board's governance arrangements and make recommendations to the Board to ensure governance arrangements are consistent with best practice; and
- to oversee the implementation of the Society's Diversity, Equity and Inclusion policy, its objectives and linkage to Group strategy and Purpose.

An explanation of the work of the Nominations Committee is set out below.

Recruitment process for appointments to the Board

The Nominations Committee follows a stringent recruitment process when making appointments to the Board. This process is tailored to meet the requirements of each particular vacancy and the method of attracting candidates is adapted depending on the nature of the skills required for the vacancy. External consultants and advisers are normally utilised to ensure there is a robust list of suitable candidates with which to fill a vacancy. Board appointments must be ratified by the full Board following the Nominations Committee recruitment process.

Under the Code, open advertising and/or an external search consultancy should generally be used for the appointment of Non-Executive Directors. Miles Advisory (an independent, external recruitment firm) assisted the Nominations Committee in the recruitment of Moorad Choudry, who was appointed to the Board as a Non-Executive Director on 2 January 2025. Miles Advisory also assisted the Nominations Committee in the recruitment of Karen McDonagh Reynolds, who was appointed to the Board as a Non-Executive Director on 23 April 2025. Other than advising the Society on the recruitment of Directors, Miles Advisory have no other connection with the Society or any individual Director on the Board. Richard Gabbertas joined the Society following a recruitment exercise for Non-Executive Director with Warren Partners (an independent, external recruitment firm). Warren Partners have no other connection with the Society or any individual Director on the Board.

When a new Director is appointed to the Board, the Financial Conduct Authority and Prudential Regulation Authority have the right, for certain key roles, to carry out formal Significant Influence Function (SIF) interviews in order that the Director becomes an Approved Person.

All Directors have been issued with Service Agreements, Role Descriptions and Terms of Engagement (for Non-Executive Directors) to ensure that they all fully understand and comply with their roles and the responsibilities of being a Director of the Society.

Succession planning

The Board is committed to ensuring that the composition of the Board meets the needs of the Society, Members and other stakeholders for the effective delivery of the Group strategy and to ensure long-term sustainable success. The Nominations Committee supports the Board with effective succession planning by giving full consideration to succession planning on a regular basis. The Committee ensures that the challenges and opportunities facing the Society are taken into account when considering what skills, experience and expertise are needed on the Board in the future.

As part of the Group's succession programme, the Board were delighted to welcome Karen McDonagh Reynolds and Richard Gabbertas to the Board in 2025. Karen has extensive experience in senior technology and operational leadership which enhanced the Board's technology expertise. Richard brings a wealth of in-depth financial services experience to the Board and as a member of the Audit Committee and Group Risk Committee.

Diversity of the Board

The Code states that Boards and its committees should have a combination of skills, experience and knowledge. The Board recognises and embraces the benefits of having a diverse Board which utilises a range of factors including skills, industry experience, socio-economic background, race, ethnic origin, gender, other characteristics, experience and qualities.

To support the Board with having regard to the Code, the Board adopted a Board Composition Statement in 2025 which can be found on the Society's website on the Corporate Governance webpage at www.newcastle.co.uk/who-we-are/our-governance/corporate-governance.

The Board Composition Statement sets out the Group's aspirations for Board diversity. The Board are committed to those aspirations, however, no candidate for Board membership shall be discriminated against on the basis of gender, race, ethnic origin, disability, sexual orientation, religion, age, socio-economic background or any other characteristic. All appointments to the Board are on merit.

The Society strives to meet the following aspirations, where possible:

- (a) a minimum of 40% female representation on the Board;
- (b) no less than one female in the role of either Chair, Senior Independent Director, Chief Executive or Chief Financial Officer; and
- (c) a minimum of one Board Director drawn from an ethnic diverse background.

In regard to the ratios, at 31 December 2025:

- (a) two (20%) of the Board Directors are women (2024: three female Directors (25%) on the Board);
- (b) there are no females within the role of Chair, Senior Independent Director, Chief Executive or Chief Financial Officer (2024: no females in these roles); and
- (c) one member of the Board is from an ethnically diverse background (2024: one Director from ethnically diverse background).

Whilst all appointments to the Board shall be based on merit assessed against objective criteria, the Board recognise that the aspirations set out in the Board Composition Statement are not being fulfilled. The Board will continue to consider the aspirations when undertaking succession planning.

Further details of gender diversity statistics across the Group can be found in the Strategic Report.

Election or re-election to the Board

All Directors are required to seek election or re-election at the forthcoming Annual General Meeting (AGM), to be held on 28 April 2026.

Non-Executive Directors are usually expected to serve more than one three-year term, subject to satisfactory performance evaluations and re-election by Members. Only in exceptional circumstances would Non-Executive Directors be able to seek re-election when they have served nine years on the Board. Nominations Committee has in place a risk-based succession plan to monitor this on a regular basis.

Independence of Directors

The Terms of Engagement for Non-Executive Directors require that they declare to the Society any other external interests and appointments. Details of the Directors' external appointments are set out in the Annual Business Statement.

The Nominations Committee carries out an annual review of the independence of Non-Executive Directors against the circumstances set out in the Code. Following the review undertaken by Nominations Committee in January 2026, the Committee were satisfied that all Non-Executive Directors, including the Chair, were considered to be independent; this was subsequently agreed by the Board.

Conflicts of interests

Directors must adhere to the Society's Conflicts of Interest Policy which is reviewed annually to ensure that any potential or actual conflicts of interests are identified and managed effectively. The Group Secretary maintains a register of all other directorships and interests of the Directors to ensure the Board has good governance arrangements in place and that the Board has effective oversight.

The Nominations Committee and Board review the registers at least annually to ensure that all declarations remain acceptable.

Time commitments

It is expected that all Non-Executive Directors are able to devote sufficient time to undertake their directorship role effectively. Time commitments of all other external appointments and interests are considered as part of the recruitment process of all appointments to the Board to ensure that the successful candidate will have sufficient time to undertake the role.

Following appointment, Nominations Committee continue to regularly review time commitments for all Non-Executive Directors, including requests from a Non-Executive Director to take any new external appointments and when considering the composition of Board Committees.

Following the review of other commitments, Nominations Committee were satisfied that all Directors have sufficient time to properly discharge their duties as Directors of the Society.

Assessment of Directors

All Directors are subject to a formal appraisal of their performance on an annual basis. The Chair conducted the appraisals of the Chief Executive and Non-Executive Directors, the Senior Independent Director conducted the appraisal of the Chair and the Chief Executive conducted the appraisals of the Executive Directors.

Skills and continuous development

All Directors are required to follow a process of continuous development to ensure their skills and experience meet the needs of the Society and the regulatory environment in which we operate. The training and development plans of Non-Executive Directors are reviewed at least annually during their performance appraisal.

Nominations Committee oversees the ongoing training and development of Non-Executive Directors including a formal induction programme for newly appointed Directors. The Chief Executive oversees the programme for Executive Directors.

In order to ensure that Nominations Committee discharges its duties in this area effectively, a Board skills matrix and a training menu for Non-Executive Directors is in place.

During 2025, the Board received a number of internal training sessions on the specific topics and areas of interest to ensure that they maintain a process of continuous professional development. In addition to internal training sessions, the Board have also attended external training courses, such as those provided by the Building Societies Association.

Relations with Members

The views of Members are very important to the Board. This section sets out how we engage with Members. Further details can also be found in the Strategic Report.

Member engagement is at the heart of the Group's strategy and the Society develops relationships with Members in a number of different ways. The Annual General Meeting is an important way for Members, as owners of the Society, to use their vote to register their views and it is also an important way for all Members to meet with the Board, receive business updates and to ask questions directly to the Directors. Voting can be undertaken either online, by post or by attending the meeting in person which will take place on 28 April 2026.

Member events are an invaluable opportunity for Board members and Executive leaders to hear feedback from Members. We have held six member listening events over 2025 which were attended by a more than 130 members. The listening events provided an opportunity for a number of colleagues from across the business, including Board members and the Executive team, to meet with Members for in-depth discussions in a relaxed environment to understand more about their challenges, experiences and priorities and what Members would like to see from us.

As well as engaging with the Board at the events, Members can also contact committee Chairs via the Group Secretary if they wish to do so. We have an online customer satisfaction feedback process which is regularly reviewed by the Chief Executive, Executive team and Senior Managers.

Being a mutual society, the interests of Members are already at the heart of the Group's strategy and Purpose and are a key focus for Board discussions and decision making. The Financial Conduct Authority's Consumer Duty principles further support the five pillars of the strategy. Rory Campbell, Non-Executive Director, is the Consumer Duty Champion and in 2025, the Board approved its Consumer Duty Annual Assessment, where the Board concluded that it was satisfied, we are complying with the Consumer Duty and the business strategy complied with the obligations under the Duty.

Relations with colleagues

The Code sets out the responsibility for a Board to have appropriate workforce policies and practices, which reinforce a healthy culture. Being one of the five pillars of the Group's strategy, we 'aim to deliver a great place to work where people are empowered to realise their potential.' This pillar ensures that the wellbeing of colleagues is at the forefront of the Group's Purpose and is a key component of Board discussions and decision-making.

To support colleagues, we have a number of networks within the Group including the Diversity, Equity and Inclusion Network, LGBTQ+ Network, Women in Leadership Network, Menopause Network, RACE Network, Parent and Carers Network and Disability Network. The networks have been imperative in shaping policies and practices across the organisation. The Board recognises the strength of embracing different views, experiences and perspectives.

The Society has a Colleague Forum, chaired by a member of the Executive team. The forum, consisting of colleagues from across all areas of the Group, supports leaders in the delivery of key organisational and people matters and is focused on creating a great colleague experience for all.

The Board recognise that speaking up is a vital component of a healthy culture and is key to us being a Purpose-led organisation. The Society has in place effective whistleblowing arrangements to ensure colleagues are able to raise concerns in a safe and confidential manner so that all concerns can be fully investigated and any appropriate action is taken. The Group Whistleblowing Policy is reviewed annually each year by Board. The Whistleblowing Champion on the Board is Mick Thompson (Non-Executive Director and Chair of the Audit Committee).

Further details of the Group's people strategy are set out within the Strategic Report.

Culture

The Code requires the Board to create a culture which aligns corporate values with strategy and to assess how the Society generates and preserves value over the long-term. As a Purpose-led Society, we expect all colleagues to embrace the Society's Purpose, values and behaviours. The Board is responsible for assessing and monitoring the culture of the Society, and the Board oversees and sets the tone for the culture, values and behaviours of the Group.

Following on the significant culture journey undertaken across 2024 with all colleagues, the Board have continued to monitor how the 'Be Curious'; 'Be Courageous'; 'Be Collaborative'; 'Be Efficient'; and 'Be Accountable' behaviours are embedded across the Group. As a Purpose-led Society, the Board provides clear leadership to ensure that all policies, practices and behaviours are aligned to the Group's Purpose, values and strategy and the Board lead by example by demonstrating those behaviours. The Board monitors culture in a number of ways throughout the year, receiving a range of management information reported to Board at regular intervals.

The Board use a third-party agency to organise surveys and capture comments made by colleagues, in confidence, which are then acted upon by Senior Management. To enable the Board to assess and monitor culture, it has been agreed that culture will be formally reviewed by the Board at regular intervals and the Board regularly considers how the desired culture is embedded across the Society.

Newcastle Strategic Solutions Limited (NSSL)

NSSL is a wholly owned subsidiary company of Newcastle Building Society, whose principal activity is the provision of specialised savings management solutions and IT services.

The NSSL Board comprises of James Ramsbotham (Chair of NSSL Board and Non-Executive Director), Bryce Glover (Non-Executive Director), Karen McDonagh Reynolds (Non-Executive Director), Nick Young (NSSL CEO) and Brad Nicholls (Director of Strategic Finance).

The main responsibilities of the NSSL Board are:

- to oversee the strategic direction of NSSL ensuring this is consistent with the Society's agreed strategic plan;
- to evaluate and monitor the financial and operational performance of NSSL against pre-determined objectives, which includes assessing performance in terms of contract contribution, profitability, efficiencies, risk, compliance and development of the savings management proposition;
- to ensure that appropriate mechanisms are in place to inform the Society's Board about the performance of NSSL and any key issues identified;
- to ensure that NSSL complies with all relevant legislation, including the General Data Protection Regulation and associated data protection legislation and the appropriate regulations relating to NSSL activities;
- to establish and review a risk appetite statement for NSSL, and to review, at least annually, the position of NSSL against that risk appetite statement;
- to ensure that an annual review of service resilience is conducted and that there is ongoing development to enhance resilience;
- to approve the NSSL budget on an annual basis (prior to inclusion in the Group budget which is approved by the Society's Board);
- to approve the NSSL statutory accounts;
- to consider and act upon the findings of any external/internal audits or reviews;
- to ensure that information assets are protected sufficiently that their confidentiality, integrity and availability are maintained in line with the ISO27001 standard along with company and client requirements; and
- to ensure that a formal evaluation of the effectiveness of the NSSL Board is undertaken on an annual basis.

Further details of the activities of NSSL are given in the Strategic Report.

Newcastle Financial Advisers Limited (NFAL)

NFAL is a wholly owned subsidiary of Newcastle Building Society which offers financial advice on investments, pensions, life and protection insurance, and inheritance tax planning. NFAL is an appointed representative of The Openwork Partnership, a trading style of Openwork Limited which is authorised and regulated by the Financial Conduct Authority.

The NFAL Board comprises of Andrew Haigh (Chair of NFAL Board and Newcastle Building Society Chief Executive), Anne Shiels (Non-Executive Director) and Iain Lightfoot (Managing Director of NFAL).

The main responsibilities of the NFAL Board are:

- to oversee the strategic direction of NFAL ensuring this is consistent with the Society's agreed strategic plan;
- to evaluate and monitor the performance of NFAL against the objectives set, which includes assessing performance in terms of sales quality, customer satisfaction and outcomes, complaints, risk and compliance oversight (including consideration of the aspects that are specifically the responsibility of Openwork Limited) and profitability;
- to review the performance of NFAL in terms of financial results including profitability, risk management and customer outcomes;
- to review and approve the NFAL variable remuneration scheme ensuring that quality and customer outcomes are central to performance assessment;
- to review, at least annually, the reputational and consumer risks associated with NFAL and the controls in place in respect of this risk. The review will be presented to the NFAL Board in the first instance and ratified by the Society's Group Risk Committee;
- to ensure that NFAL complies with all relevant legislation including the General Data Protection Regulation and associated data protection legislation, and the appropriate regulations relating to NFAL activities;
- to approve the NFAL budget on an annual basis (prior to inclusion in the Group budget which is approved by the Society's Board);
- to approve the NFAL statutory accounts;
- to receive the minutes of strategic partner governance meetings and to be made aware of any changes to the framework for managing relationships with strategic partners;
- to consider and act upon the findings of any external/internal audits or reviews and make suitable recommendations as appropriate; and
- to ensure that a formal evaluation of the effectiveness of the NFAL Board is undertaken on an annual basis.

Board, Committee and Subsidiary Company membership attendance record 2025

The table below sets out the number of meetings attended by Directors during 2025. The number in brackets represents the maximum number of meetings that the Director was eligible to attend as a member.

In addition to the scheduled meetings as set out in the Board meeting table below, the Board held two strategy days in 2025 to discuss the future direction of the Society.

Director	Board	Audit Committee	Group Risk Committee	Remuneration Committee	Nominations Committee	NSSL	NFAL
Adam Bennett	12 (13)		4 (4)		5 (5)		
Rory Campbell	12 (13)			4 (4)	5 (5)		
Moorad Choudhry ¹	9 (11)	1 (1)	4 (4)				
Michele Faull ²	4 (4)	1 (1)	2 (2)				
Richard Gabbertas ³	2 (2)	1 (1)					
Bryce Glover	12 (13)	3 (4)	3 (3)			5 (6)	
Andrew Haigh	13 (13)						6 (6)
Chris Keay ⁴	5 (5)						
Karen McDonagh Reynolds ⁵	9 (9)					4 (4)	
Stuart Miller ⁶	8 (8)					1 (1)	4 (4)
James Ramsbotham	13 (13)				5 (5)	6 (6)	
David Samper ⁷	3 (3)						
Amanda Shepherd ⁸	7 (7)					3 (4)	
Anne Shiels	13 (13)	3 (3)		4 (4)	2 (2)		6 (6)
Mick Thompson	13 (13)	5 (5)	3 (3)	4 (4)			

1. Moorad Choudhry resigned from the Board 30 November 2025 (appointed 2 January 2025)
2. Michele Faull resigned from the Board on 23 April 2025
3. Richard Gabbertas joined the Board on 1 December 2025
4. Chris Keay joined the Board on 5 September 2025
5. Karen McDonagh Reynolds joined the Board on 23 April 2025
6. Stuart Miller resigned from the Board 9 September 2025
7. David Samper resigned from the Board 31 March 2025
8. Amanda Shepherd resigned from the Board 22 August 2025

Annual General Meeting (AGM)

The AGM provides an opportunity for Members to question the Board on the resolutions to be proposed at the meeting, the Annual Report and Accounts, and on other aspects of the Society's business. The resolutions to be proposed at the meeting are set out in the Notice of AGM which can be found in the Member Booklet within the AGM pack.

All Members who are eligible to vote at the AGM are encouraged to participate. Members will be able to vote either in person at the meeting or by using their proxy form. Votes may also be submitted online and for each vote placed online at the 2026 AGM, the Society will be donating £1 to the Newcastle Building Society Community Fund at the Community Foundation.

All votes are counted by independent scrutineers. As soon as practicable after the AGM, full details of the results of the voting are placed on the Society's website.

On behalf of the Board

James Ramsbotham

Chair

5 March 2026

Audit Committee Report

Audit Committee

Members of the Audit Committee at 31 December 2025 were:

Mick Thompson (Committee Chair), Bryce Glover and Richard Gabbertas (appointed to the Committee on 1 December 2025). Karen McDonagh Reynolds was appointed to the Committee in January 2026.

During the year, there were changes to the membership of the Audit Committee. The Board and the Audit Committee have ensured that appropriate governance processes were in place and that the Audit Committee continued to operate effectively throughout the period.

The Audit Committee's extensive experience and qualifications are detailed in the Our Directors section of the Annual Report and Accounts. The Audit Committee has combined financial sector experience, and their competence remains considerable and wide-ranging with specific relevance to the Group's core building society activities and commercial subsidiaries. At least one member of the Audit Committee meets the requirements of the UK Corporate Governance Code to have significant recent, relevant financial experience. The Audit Committee members were selected for appointment by recommendation of the Society's Nominations Committee in consultation with the Audit Committee Chair.

The Report of the Directors on Corporate Governance sets out the process for reviews of the effectiveness of Board committees. During the year a review was undertaken by Bvalco, an external, independent provider of Board performance reviews, which concluded each committee of the Board, including the Audit Committee, was found to be functioning well and the Audit Committee is satisfied it has operated effectively throughout the year. Further information is found in the Report of the Directors on Corporate Governance.

Audit Committee meetings:

The Audit Committee meets at least four times each year, coinciding with key dates in the Group's financial reporting calendar, following a rolling schedule of items for discussion, agreed and reviewed on an ongoing basis. Meetings are attended by Audit Committee members with other regular attendees at meetings including the Chief Executive, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor and a representative of the External Auditor, Deloitte LLP, as well as other management, as the Committee feels is appropriate and necessary. For details of Audit Committee meeting attendance, see the Board, Committee and Subsidiary Company membership attendance record in the Report of the Directors on Corporate Governance.

As a general rule, the Audit Committee formally invites the External Auditor and the Chief Internal Auditor to meet the Audit Committee without Senior Management present at least once a year. These meetings cover matters relating to the Audit Committee's terms of reference and any issues arising from audits. The Chair and Chief Internal Auditor also meet outside of the Audit Committee on a regular basis.

Key roles and responsibilities as delegated by the Board:

The Audit Committee's responsibilities are delegated from the Board and details of the delegated responsibilities are available on the Society's website www.newcastle.co.uk/who-we-are/our-governance/our-committees. All Board members have access to minutes from Audit Committee meetings, and the Chair of the Audit Committee updates the Board at every meeting on recent Audit Committee activity.

The main function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities, specifically the ongoing review, monitoring and assessment of the following areas:

Financial reporting:

The Audit Committee's primary role regarding financial reporting is to monitor the integrity of the Group's financial statements, including the half-yearly financial information and the Annual Report and Accounts, and any other formal announcements relating to the Group's financial performance, and to monitor the statutory audit of the annual and consolidated accounts.

This responsibility is discharged through:

- review of half-yearly and year end announcements, the Annual Report and Accounts, Summary Financial Statement and Pillar 3 disclosures, covering their clarity, completeness and compliance with relevant accounting standards and other regulatory and legal requirements;
- reporting to the Board on the consistency and appropriateness of critical accounting policies and any changes thereto, considering the views of the External Auditor;
- review and challenge of significant financial reporting judgements, estimates and the actions and judgements of management;
- review and challenge of accounting disclosures to ensure as a whole they are fair, balanced and understandable and in accordance with relevant disclosure requirements;
- advice to the Board on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for Members to assess the performance, strategy and business model of the Group;
- review of any correspondence from regulators in relation to financial reporting;
- review of the going concern assessment and adoption of the going concern basis of accounting on a six-monthly basis, and review of the going concern and long-term viability assessment on an annual basis;
- evaluating the risks to the quality and effectiveness of the financial reporting process, especially in light of the External Auditor's communications with the Audit Committee; and
- review and monitoring of management's responsiveness to the External Auditor's findings and recommendations.

In 2025, the main areas of significant financial reporting considered by the Audit Committee were as follows:

- **IFRS 9 provisioning:** The Audit Committee maintains oversight and challenge of the key model inputs driving the Group's IFRS 9 provisioning models, with particular focus paid towards the Group's forward looking macro-economic forecast inputs. These inputs are the key judgements in calculating the provision.

The Model Risk Committee, a sub-committee of the Group Risk Committee makes non-binding recommendations on the Group's IFRS 9 scenarios (base, upside, downside and stress), scenario inputs and scenario weightings that are used within the provisioning models.

The Audit Committee has reviewed the appropriateness of management judgement applied to the IFRS 9 provisions and the impact of key assumptions in the Group's IFRS 9 provisioning models, as well as the IFRS 9 related disclosures within the half-yearly financial information and Annual Report and Accounts. The Audit Committee noted the impact of any small post model adjustments recommended by management. For 2025 these related to the potential impact of risks to securities pledged from the impact of climate change, agreeing the appropriateness of these post model adjustments and the related disclosures made in the Annual Report and Accounts, as well as the release of the post model adjustments held in prior years in respect of fire safety and cladding risk and affordability.

The Audit Committee has concluded that the IFRS 9 residential provisions are appropriate and reasonable

In addition, the Audit Committee maintains oversight and challenge over the commercial property provisions and is satisfied that the estimates, judgements and methodologies applied to the commercial property provisions relating to legacy assets are appropriate and reasonable.

- **Equity release accounting and valuation:** In respect of the accounting and valuation of the legacy equity release portfolios, the Audit Committee reviews and challenges the key model inputs. Specifically, this includes the assessment of the discount rate applied to projected cash flows and the assumptions underpinning the valuation of the no negative equity guarantee, such as future property price growth and volatility.

The Audit Committee has evaluated the methodology and assumptions employed by management in establishing an appropriate discount rate and has scrutinised the supporting documentation, with particular attention given to the rate applied to the Spanish equity release portfolios. It was noted that limited market data is available to inform this assessment, necessitating the application of management judgement.

Taking into account the unique characteristics of the equity release loan portfolios, alongside broader macroeconomic indicators, the Audit Committee is satisfied that the inputs, assumptions, and methodologies used are appropriate, and therefore considers the resulting valuation of the equity release portfolios to be reasonable.

- **Hedge accounting:** The Audit Committee is appraised of the Group's derivative and hedge accounting position and strategy and agrees the accounting policy for hedging, including disclosures in the Annual Report and Accounts.
- **Securitisation accounting and valuation of associated derivative financial instruments:** In relation to the new securitisation issuance during the year through Hadrian Funding 2025-1 PLC, the Audit Committee has reviewed and challenged the accounting treatment and the valuation methodology applied to the associated derivative financial instruments, which are classified as level 3 within the IFRS 13 fair value hierarchy. This included a detailed assessment of the assumptions and estimates underpinning the valuation methodology. The Audit Committee considered the derecognition criteria under IFRS 9 in respect of the mortgages used as collateral in the issuance, including management's assessment of the transfer of risks and rewards. The Audit Committee also considered the appropriateness of the methodologies adopted by management, including the rationale for key inputs and the robustness of supporting documentation, as well as review of associated disclosures in the Annual Report and Accounts. The Committee is satisfied that the accounting treatment, as well as the valuation methodology and associated assumptions and estimates, are appropriate.
- **Going concern and long-term viability assessment:** Preparing the Annual Report and Accounts under the going concern assumption requires the Board and Audit Committee to be satisfied that the Group and Society will stay in business for at least 12 months from the date the Accounts are signed. In addition, the Report and Accounts contain a statement that the Group and Society are considered viable within its Directors' Report. As a result, a detailed assessment of the Group's and Society's viability over the next three years is reviewed by the Audit Committee, which considers the Group's and Society's business operations, business planning, business management and risk management. The assessment also includes forecasts and stress testing of long-term liquidity, capital resources and capital strategy. The Audit Committee concluded that the adoption of the going concern basis to prepare the Accounts is appropriate and considers the Group and Society viable over the next three years.

- **The Audit Committee considers matters raised by the External Auditor** and concluded there were no uncorrected adjustments in isolation or in aggregate that were material to the Annual Report and Accounts.

Having undertaken the above responsibilities and considerations throughout the Group's 2025 financial year, as well as the Audit Committee being satisfied that the significant financial reporting judgements and estimates are appropriate and suitably disclosed in the Annual Report and Accounts, the Audit Committee recommended to the Board that approval be given to the audited Annual Report and Accounts and Summary Financial Statement as at 31 December 2025.

Internal control and risk management:

The Audit Committee works closely with the Group Risk Committee to ensure that management and colleagues take appropriate responsibility for departmental, business unit and subsidiary risk mitigation and internal control. The Audit Committee also reviews Internal Audit Services and management reports on the effectiveness of systems for internal control and risk management across the Group.

Further details of risk management activities are given in the Risk Management Report.

The Audit Committee is responsible for:

- review of the scope and effectiveness of the Group's internal controls and risk management systems, including those for ensuring compliance with the regulatory environment in which the Group operates;
- review of the Group's resolution pack arrangements and oversight of the Group's recovery plan self-assessment; and
- review and approval of the statements to be included in the Annual Report and Accounts concerning internal controls and risk management.

The Group's Internal Audit Services forms a core component of the Group's risk management and internal control process.

During the year, the Audit Committee, through Internal Audit Services and from other management reports, reviewed the scope and effectiveness of the Group's internal controls. The coverage of the reviews in 2025 included reviewing certain controls in operation for lending, savings, information technology and cyber security, prudential and conduct risk, finance, risk management, regulatory compliance and reporting and strategic change initiatives.

Internal Audit Services engaged the services of Ernst & Young LLP, DCR Partners Limited and KPMG LLP during 2025 for co-sourced internal audits to provide specialist expert input and promote knowledge transfer to Internal Audit Services.

Internal Audit Services represents the Audit Committee's primary available resource; however, the Audit Committee retains the authority to obtain outside legal or independent professional advice as it sees fit. Reports from the Chief Risk Officer, Internal Audit Services, the External Auditor and Senior Management provide input on key risks, uncertainties and controls directly to the Audit Committee.

Internal Audit Services:

The Audit Committee is responsible for monitoring and reviewing the effectiveness of Internal Audit Services in the context of the Group's risk management and for ensuring that professional standards are applied, and that resource is adequate in terms of number, skills, knowledge and standing within the Group to execute its responsibilities in an independent and objective manner. This review includes assessment of the Chief Internal Auditor with respect to appointment, remuneration, performance evaluation and assessment of their objectivity and independence.

A formal internal review of the qualification and effectiveness of Internal Audit Services is undertaken by the Audit Committee annually and most recently in July 2025, which concluded positively, confirming that Internal Audit Services met its responsibilities effectively.

Additionally, and in accordance with good practice, the Audit Committee requires an external effectiveness review of Internal Audit Services at least every five years. A review was carried out during 2024 by an external firm which concluded that Internal Audit Services was operating effectively and conforms to the standards expected by the Institute of Internal Auditors. The next external review is planned for 2029.

The Audit Committee approves and reviews the internal audit strategy, work programme and results, and ensures Internal Audit Services maintains sufficient access to the Board, management and the books and records of the Society and its subsidiaries. This oversight allows the Audit Committee to monitor and assess the role and effectiveness of Internal Audit Services in the overall context of the Group's internal control framework, ensures appropriate management responsiveness to audit findings and recommendations given and promotes open communication between the Group's Risk, Compliance, Finance, and Internal Audit functions and the External Auditor.

External audit:

The Audit Committee is responsible for overseeing the Group's relationship with the External Auditor, Deloitte LLP. This role extends to:

- appointment, reappointment, removal and assessment of independence, objectivity and effectiveness of the External Auditor;
- approval of terms and remuneration in respect of audit services provided;
- annual approval of the Group's policy on the use of the External Auditor for non-audit work as well as any non-audit work to be performed by the External Auditor; and
- consideration of audit quality, including reports by the Financial Reporting Council (FRC) Audit Quality Review team.

The Audit Committee annually assesses the qualifications, expertise and resources of the External Auditor, seeking reassurance that the External Auditor and their staff have no family, financial, employment, investment or business relationships with the Group that are considered to impact their independence. The External Auditor communicates their formal independence annually and appraises the Audit Committee of policies, processes and monitoring in place for maintaining their independence. The Audit Committee seeks annual feedback from internal stakeholders to facilitate a robust assessment of the effectiveness of the External Auditor.

Prior to an external audit engagement, the Audit Committee discusses the nature and scope of the audit. It reviews findings of the External Auditor's work and assesses the effectiveness of the audit process. This assessment reviews whether the External Auditor has met the agreed audit plan, considers the robustness and perceptiveness of the External Auditor in responding to questions from the Audit Committee and obtains feedback about the conduct of the audit from key people involved.

The Audit Committee ensures that non-audit services provided by the External Auditor will not adversely impact the independence and objectivity of the audit firm in performing their duties. A formal policy on the use of the External Auditor, aligned to the FRC ethical standard, for non-audit work is reviewed annually.

The External Auditor undertook a small number of non-audit assignments during the year including review of the Interim Financial Report. The fees paid to the External Auditor for audit and non-audit services are set out in the Administrative Expenses note to the Annual Report and Accounts. The ratio of non-audit fees to audit fees in 2025 was 0.08:1 (2024: 0.29:1).

Whistleblowing:

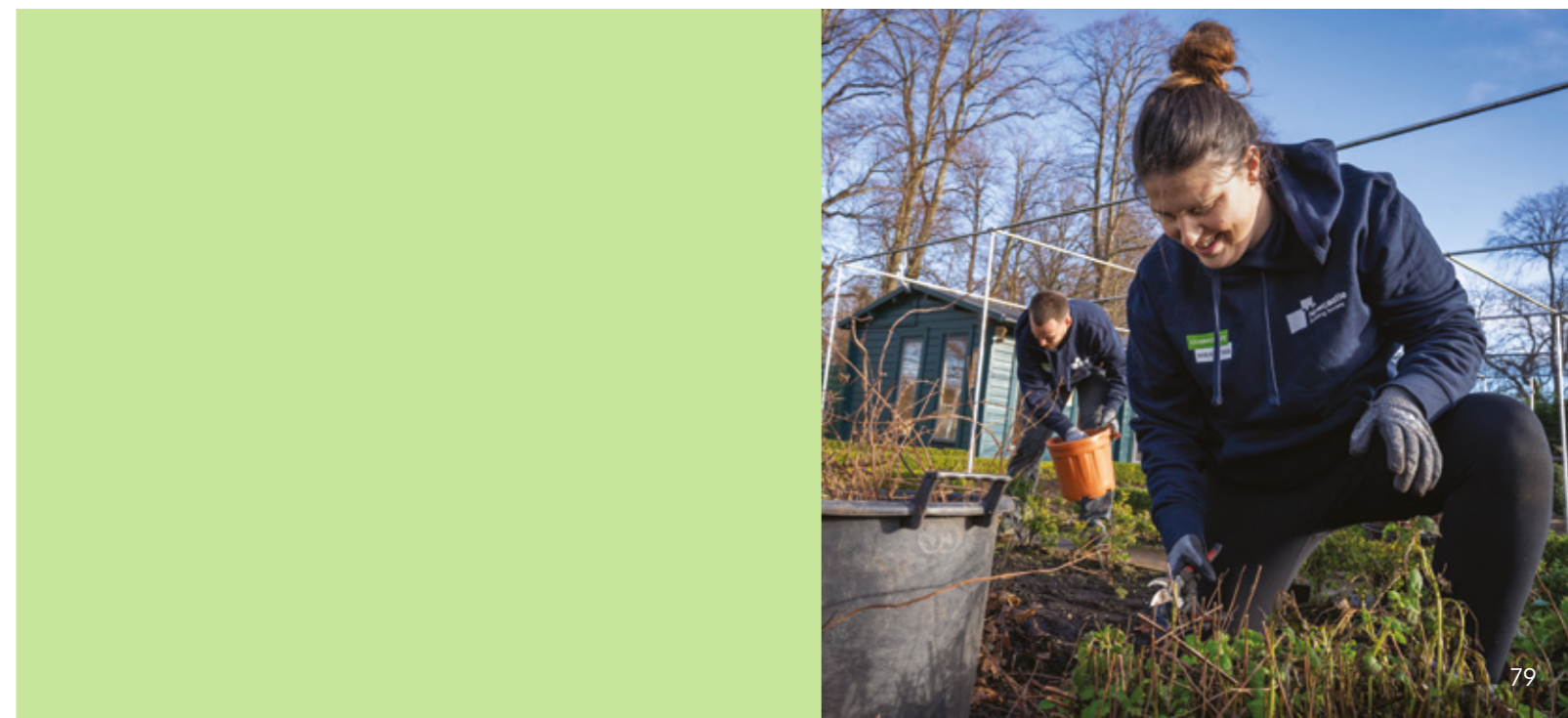
The Audit Committee reviews the Group's procedures for detecting fraud and policies related to its prevention and detection, including whistleblowing. This includes ensuring that arrangements are in place by which colleagues, in confidence, may raise concerns about possible improprieties ensuring that arrangements are in place for independent investigation and appropriate follow-up action. These could be in matters of financial reporting, financial control or any other matters. The outcome of the review is reported to the Board.

On behalf of the Board

Mick Thompson

Chair of the Audit Committee

5 March 2026



Remuneration Committee Report

Annual statement from the Chair of the Remuneration Committee

Introduction

I am pleased to share the Directors' Remuneration Report, on behalf of the Remuneration Committee 'the Committee', which details the Group's approach to pay, incentives and benefits for the period 1 January to 31 December 2025. It sets out the Remuneration Policy and remuneration details for the Group's Executive and Non-Executive Directors, is aligned with our broader business strategy, is in adherence with the Regulators' Remuneration Code and the disclosure requirements arising under the Capital Requirements Directive IV (CRD IV) and has regard to the principles of the UK Corporate Governance Code relating to remuneration.

The Remuneration Committee

The Committee is comprised solely of Non-Executive Directors who have no personal financial interest in the recommendations:

Rory Campbell	Non-Executive Director (Chair)
Mick Thompson	Non-Executive Director & Chair of Audit Committee
Anne Shiels	Non-Executive Director

The Chair of the Board, Chief Executive, Chief People Officer and Head of Reward (except for items relating to their own remuneration) also attend meetings but are not members of the Committee.

Our Purpose-led reward approach – the decisions of the Remuneration Committee in 2025

Our Purpose, connecting our communities with a better financial future, continues to underpin every decision we make, including how we recognise and reward our colleagues, leaders, and Board members. The Remuneration Committee's role is to ensure that our approach to reward remains fair, transparent, and aligned to the long-term success of the Society, our Members, and our communities.

Reward guided by fairness, sustainability and change

2025 was another year of significant change, both within the Society and across the external environment. While inflationary pressures have eased compared to prior years, many households continue to experience the lasting effects of higher costs, and competition for skilled talent remains strong. Internally, we have continued to evolve our structure and operating model to ensure the Society is positioned for sustainable success, with the right people, capabilities, and leadership in place to deliver our strategic priorities.

In this context, the Committee's focus has been to balance affordability and prudence with fairness and competitiveness. Our 2025 pay review approach continued to prioritise colleagues in lower-paid roles, reflecting the ongoing cost-of-living pressures and our commitment to maintaining Real Living Wage accreditation. This differentiated approach ensures that colleagues across all levels are fairly rewarded for their contribution, while enabling us to retain and attract the talent needed to deliver for our Members.

Embedding Purpose through total reward

During 2025, we continued to strengthen our total reward and wellbeing offering to ensure it reflects our Purpose and values. Following the major enhancements to family-friendly policies introduced in 2024, including equalising parental leave for all parents regardless of gender or route to parenthood, our focus this year has been on embedding these changes and ensuring colleagues and leaders are confident in applying them. Feedback has been overwhelmingly positive, and uptake has continued to increase.

Our accreditation as both a Living Wage and Living Pension Employer remains a point of pride and a demonstration of our long-term commitment to financial wellbeing. During 2025, we extended our colleague financial education programme with further sessions on pensions, savings, and managing household finances. Engagement levels have remained strong, and more colleagues have chosen to increase their pension contributions; a positive reflection of increased awareness and confidence in planning for the future.

Executive and Director remuneration in respect of 2025

The Committee's responsibility is to ensure that remuneration for the Executives and Directors remains appropriate, performance-linked, and aligned to the Society's Purpose, strategy, and regulatory expectations. Executive pay outcomes for 2025 were assessed against individual and organisational performance, as well as external market benchmarks, and remained broadly consistent with those awarded to the wider workforce.

Bonus outcomes for the year were determined against a balanced scorecard of financial and non-financial measures including profit, lending, funding, customer satisfaction, and colleague engagement. The Society delivered a solid performance despite ongoing cost challenges and the need to invest in change and transformation. The Committee concluded that bonus outcomes fairly reflected this balanced performance and were awarded in line with policy.

As in previous years, 50% of Executive bonuses remain deferred and subject to malus and clawback for up to three years. This ensures alignment with long-term performance, our risk framework, and the Society's Purpose.

Looking ahead

As we look forward to 2026, the Committee's focus remains on ensuring our reward framework continues to support the Society's strategic priorities and Purpose; by maintaining fairness and competitiveness, supporting colleagues' financial wellbeing, and ensuring we have the right structure, capability, and leadership in place to succeed. Through continued investment in our people, and by applying fair and responsible reward practices, we will remain well positioned to attract, retain and motivate the talent needed to deliver sustainable success for our Members and communities.

Directors' Remuneration Policy

Policy aims and principles

The Group's policy for remunerating Directors is designed to provide fair and competitive remuneration packages that attract, retain and reward Executives, including Executive Directors, to deliver business objectives in support of the Society's strategy, while providing value for Members.

In designing the Directors' Remuneration Policy, the following key principles have been applied:

- the policy is clearly linked to and influenced by our Purpose, strategic plan, objectives and values and serves the interests of all key stakeholders;
- policy, process and practice are consistent with and promote effective risk management in line with the Group's risk appetite statement and detailed policies;
- basic pay and total remuneration are set at a fair, affordable, reasonable and competitive level to attract and retain the appropriate calibre of people;
- the approach to pay and total remuneration is inclusive and equitable, supporting wider diversity and inclusion aims;
- the approach to pay satisfies all regulatory requirements and good, responsible corporate governance practice;
- remuneration arrangements embed our culture and drive correct behaviours;
- remuneration arrangements are transparent and fair, reflecting individual responsibilities and performance; and
- remuneration arrangements are straightforward to understand, communicate and administer.

Key changes to the Directors' Remuneration Policy for 2026

The Committee has recently reviewed the Directors' Remuneration Policy for the upcoming year and has determined that it remains robust, appropriate and aligned to our Purpose. A recent review of the policy resulted in an update to the malus and clawback provisions to strengthen providing the business with a broader and more robust range of remedial powers.

Directors' service agreements and notice periods

Executive Directors are employed on service agreements which can be terminated by either the Society or the Director giving six months' notice.

Non-Executive Directors do not have service agreements. Non-Executive Directors are appointed for an initial three-year term. They will generally be expected to serve more than one three-year term, but not longer than nine years in total, unless in exceptional circumstances and after approval by the Board.

All of the Society's Directors volunteer for annual re-election.

Policy on termination pay

The Committee aims to treat departing Executive Directors fairly, taking into account the circumstances of their departure, but is always careful to ensure that the interests of Members are considered and that there are no rewards for failure. Executive Directors are entitled to be paid their basic salary and contractual benefits (including pension contributions) during their notice period. The Society has the discretion to pay these as a lump sum in lieu of notice. The rules of the Executive Bonus Scheme set out the treatment for an individual who ceases to be a colleague or Director of the Society.

Remuneration for Executive Directors

The table below shows the elements of remuneration for Executive Directors and the way they operate. These elements would be expected to apply equally to any new Executive Directors appointed in the future.

How elements support our strategy	Operation	Maximum potential value	Performance conditions and assessment
<p>Basic salary</p> <p>Supports the attraction and retention of Executive Directors, reflecting their individual roles, skills and contribution and ensuring internal pay equity (ensuring colleagues within similar roles are compensated in a similar way).</p>	<p>Basic salary reflects the size of the role and responsibilities, individual performance (assessed annually) and the skills and experience of the individual. In setting appropriate salary levels, the Committee takes into account data for similar roles in comparable organisations as determined by the Group Job Evaluation Policy. The Society aims to position Executive Directors competitively within the reference group. Consideration is also given to internal pay equity.</p>	<p>Increases to base salary are determined annually by the Committee taking into account:</p> <ul style="list-style-type: none"> ■ individual performance; ■ the scope of the role; ■ pay levels of comparable organisations; and ■ pay increases elsewhere in the Group. 	<p>Individual performance is taken into account when considering base increases, as well as affordability and the performance of the Group. Increases are approved by the Committee having been proposed by the Chair (for Chief Executive) and Chief Executive (for other Executives).</p>
<p>Pension</p> <p>Supports attraction and retention of Executive Directors at a cost that can be controlled by the Society.</p>	<p>Generally, the Society contributes to a defined contribution pension scheme for Executive Directors. The contribution can instead be paid in cash (which is excluded from bonus calculations) if the Executive Director so chooses.</p>	<p>Up to 9% of basic salary, which is consistent with the benefit available to the wider workforce.</p>	<p>None applicable.</p>
<p>Benefits</p> <p>Supports attraction and retention of Executive Directors; and provides a competitive level of benefits to assist Executive Directors to carry out their roles effectively.</p>	<p>A number of benefits are provided to Executive Directors, including car allowance, private medical insurance, life insurance, health screening and permanent health insurance. The Committee reviews benefits offered and may make changes, for example, to reflect market practice or the needs of the business. The Society offers all colleagues the option to participate in a salary sacrifice scheme in order to make use of current incentives and encourage use of electric vehicles.</p>	<p>The Society chooses to invest in the cost of providing benefits which may vary from year to year.</p>	<p>None applicable.</p>

How elements support our strategy	Operation	Maximum potential value	Performance conditions and assessment
<p>Executive Bonus Scheme*</p> <p>Rewards performance within the context of achieving corporate goals and objectives as set out in the corporate strategy.</p> <p>Supports attraction and retention of Executive Directors.</p> <p>Supports the development of a high performance culture.</p>	<p>Based on a number of performance measures and targets linked to the delivery of corporate strategy.</p> <p>Measures include financial, customer, people and personal objectives.</p> <p>Targets are set annually and payments are made at the discretion of the Committee.</p> <p>Payments are made in cash in instalments over a three year period.</p>	<p>The maximum potential bonus opportunity is 75% of base salary. On target bonus opportunity is 50% of base salary.</p>	<p>Performance against pre-determined objectives will be measured by the Committee on an annual basis and discretion may be applied under exceptional circumstances.</p> <p>Personal performance must be judged to have at least met expectations for any payment to be made from the scheme.</p> <p>Bonus levels take affordability into account together with specific performance measures which are set at the beginning of each financial year.</p> <p>A financial gateway exists to ensure the financial viability of the bonus scheme. For the 2025 scheme this was a profit gateway.</p>

*As noted above, the Committee has complete discretion to make payment under the Executive Bonus Scheme and also has discretion to amend or remove that scheme where necessary to ensure the arrangements continue to meet the Committee's overriding remuneration principles.

Directors' emoluments (Audited)

The total remuneration received by Executive Directors is shown below in the following table. The information has been audited and shows remuneration for the years ended 31 December 2024 and 31 December 2025 as required under the Building Societies (Accounts and Related Provisions) Regulations 1998. There is a requirement under Rule 14 of the Society's Rules to have deposits to the value of not less than £1,000 in a Society share account in order to qualify as a Director. This means all Directors are Members of the Society. There are no requirements for a Director to own shares in the Society's subsidiary companies.

Details of other Board positions held by the Group's Directors outside of the Group are shown in the Annual Business Statement. None of the current Executive Directors retained any remuneration as a result of their non-Society positions. The table below has been audited as it forms part of the financial statements.

	Year	Salary or fees £000	Taxable benefits £000	Annual bonus (Note 1) £000	Pension contributions to defined contribution scheme (Notes 2, 3, 4 and 5) £000	Total contractual benefits £000
Executive Directors						
AS Haigh	2025	527	61	257	-	845
	2024	504	59	181	-	744
DA Samper (Stepped down 31 March 2025 - Note 6)	2025	91	11	-	-	102
	2024	333	42	-	-	375
S Miller (Stepped down 9 September 2025 - Note 7)	2025	311	40	-	-	351
	2024	296	39	106	-	441
AD Shepherd (Stepped down 22 August 2025 - Note 8)	2025	237	28	-	-	265
	2024	139	18	49	-	206
CJ Keay (Appointed 5 September 2025)	2025	80	3	115	7	205
Total for Executive Directors	2025	1,246	143	372	7	1,768
	2024	1,272	158	336	-	1,766
Non-Executive Directors						
BP Glover	2025	76	-	-	-	76
	2024	79	-	-	-	79
A Laverack (Business name: Anne Shiels)	2025	64	-	-	-	64
	2024	70	-	-	-	70
MR Thompson (Note 9)	2025	96	-	-	-	96
	2024	93	-	-	-	93
GA Bennett	2025	68	-	-	-	68
	2024	65	-	-	-	65
S Lynn (Stepped down 24 April 2024)	2024	18	-	-	-	18
MJ Faull (Stepped down 23 April 2025)	2025	17	-	-	-	17
	2024	52	-	-	-	52
JDA Ramsbotham	2025	127	-	-	-	127
	2024	118	-	-	-	118
RTS Campbell	2025	63	-	-	-	63
	2024	52	-	-	-	52
K McDonagh Reynolds (Appointed 23 April 2025)	2025	41	-	-	-	41
M Choudhry (Appointed 2 January 2025, stepped down 30 November 2025)	2025	53	-	-	-	53
RK Gabbertas (Appointed 1 December 2025)	2025	5	-	-	-	5
Total for Non-Executive Directors	2025	610	-	-	-	610
	2024	547	-	-	-	547
Total for all Directors	2025	1,856	143	372	7	2,378
	2024	1,819	158	336	-	2,313

Notes to the table

- During 2025 the Executive Directors participated in the Group's annual Executive Bonus Scheme. A proportion of the Executive bonus payment is deferred and is payable in future years as shown in the Executive Bonus Payment table overleaf.
- Mr AS Haigh has elected to take his pension contribution amounting to £47,453 (2024: £45,360) as a cash payment. He is liable for his own tax and national insurance contributions on this payment.
- Mr DA Samper has elected to take his pension contribution amounting to £7,575 (2024: £29,948) as a cash payment. He is liable for his own tax and national insurance contributions on this payment.
- Mr S Miller has elected to take his pension contribution amounting to £28,013 (2024: £26,663) as a cash payment. He is liable for his own tax and national insurance contributions on this payment.
- Mrs AD Shepherd has elected to take her pension contribution amounting to £19,927 (2024: £12,525) as a cash payment. She is liable for her own tax and national insurance contributions on this payment.
- Upon Mr D Samper ceasing to be a Director and leaving the Group, a payment of £324,101 was made to him. This was calculated by reference to the agreed terms of their employment contract. The payment is in addition to the amounts disclosed in the table. Under the scheme

- rules, Mr D Samper is not entitled to any deferred bonus payments due in future years. He therefore will not receive the deferred bonus amount that had been expected for payment in future years (2026: £24,155).
- Upon Mr S Miller ceasing to be a Director on 9 September 2025 and following the end of his contract of employment on 29 January 2026, under the scheme rules, he is not entitled to any deferred bonus payments due in future years. He therefore will not receive the deferred amount of £74,546 relating to his 2023 and 2024 bonus that had been expected for payment in future years (2026: £47,996 and 2027: £26,550).
- Upon Mrs A Shepherd ceasing to be a Director and leaving the Group, a payment of £203,105 was made to her, including a £14,016 redundancy payment. This was calculated by reference to the agreed terms of their employment contract. The payment is in addition to the amounts disclosed in the table. Mrs A Shepherd retained entitlement to accrued bonus deferrals of £24,518 (2026: £12,259 and 2027: £12,259) under the contractual terms of her redundancy but is not eligible for a bonus payment under the 2025 scheme.
- Mr M Thompson received £20,550 (2024: £19,613) in relation to chairing the Newcastle Building Society Pension and Assurance Scheme Board which is included in the figures presented in the table.

Chief Executive remuneration

The Chief Executive is the Group's most highly paid colleague, and no colleague earns more than any Executive Director.

Mr A Haigh received a 4.5% pay rise on base salary in April 2025. This increase is an outcome of the independent review of Executive reward, undertaken by the Committee's reward advisors Willis Towers Watson and was in line with the increases in the wider workforce.

Chief Executive Officer (CEO) remuneration

The Companies (Miscellaneous Reporting) Regulations 2018 requires the publication of the ratio of the CEO's single figure remuneration. We have chosen to use the Government's preferred methodology (option A), which determines the total full-time equivalent total remuneration for all colleagues for the relevant financial year, and compares the 25th, median and 75th percentiles against the CEO's single figure.

	Quartile	Base salary £	Total pay and benefits £	Ratio to CEO
2025	25th	25,459	29,459	29:1
	50th	28,289	32,688	26:1
	75th	43,540	52,253	16:1
2024	25th	24,434	28,843	26:1
	50th	29,158	33,433	22:1
	75th	43,734	52,154	14:1
2023	25th	22,729	25,848	27:1
	50th	28,113	32,761	21:1
	75th	40,620	48,946	14:1
2022	25th	22,316	26,347	28:1
	50th	27,882	33,187	22:1
	75th	39,328	46,062	16:1
2021	25th	20,623	22,438	26:1
	50th	25,987	29,087	20:1
	75th	36,773	42,329	14:1

Annual Executive Bonus

The Executive Bonus Scheme is paid in three parts, with the first payment of 50% in the year after the bonus is earned and the remainder over two equal payments in the following two years. This allows the Committee to review whether the payment remains appropriate and in line with strategy and Purpose, providing the ability to reduce or cancel the payment in cases such as, but not limited to, significant failures in risk management, material errors or the Society's financial underperformance.

The Executive Bonus Scheme is dependent on performance, measured against personal objectives as well as financial and non-financial performance indicators.

The overall level of Executive bonus payments for 2025 were therefore 47.7% of salary.

The rules of the Executive Bonus Scheme determine that under most circumstances no bonus is payable to Executives who resign from the business. This applies to bonus payments from the current year and any unpaid deferred elements from prior years.

The bonus has been awarded in line with the rules of the scheme and against the performance metrics agreed at the beginning of the year.

Payments and deferred payments under the Executive Bonus Scheme are shown in the table below.

Executive bonus

Executive Director	Bonus deferred from	Bonus payable in 2026 £'000	Bonus payable in 2027 £'000	Bonus payable in 2028 £'000	Total deferred bonus £'000
Andrew Haigh	2023	37	-	-	37
	2024	45	45	-	90
	2025	129	64	64	257
	Total	211	109	64	384
Amanda Shepherd	2024	12	12	-	24
	Total	12	12	-	24
Chris Keay	2025	57	29	29	115
	Total	57	29	29	115
Total		280	150	93	523

Remuneration of Non-Executive Directors

A separate Non-Executive Director Remuneration Committee reviews and approves the fees of Non-Executive Directors which are then ratified by the Board. Membership of the Non-Executive Remuneration Committee consists of the Chair of the Board, Chief Executive and Chief Financial Officer and is attended by the Chair of the Remuneration Committee and Chief People Officer. Remuneration for the Chair of the Board is recommended by the Chief Executive to the Remuneration Committee for approval and subsequent ratification by the Board.

Element	Approach
Basic fees	Reviewed annually, based on time commitment and responsibility required by Board and Board Committee meetings. The review takes into account fees paid by comparable financial services organisations. The fee currently paid is £54,350 (2024: £52,500) for Non-Executive Directors and £130,000 (2024: £119,700) for the Board Chair.
Additional fees	Additional fees are payable for additional responsibilities, such as Committee Chair, Chair or Non-Executive Director of a subsidiary business or for being the Senior Independent Director. Fees range from £5,600 to £22,350 (2024: £5,400 to £21,600) depending on time commitments required.
Other items	Non-Executive Directors are not eligible to participate in any form of performance pay and do not receive pensions or other benefits in kind.

Consideration of remuneration for colleagues who are not Directors – Code Staff and Executives who are not Directors

In addition to setting the remuneration of the Executive Directors, the Committee approves the Remuneration Policy for Senior Managers who have a material impact on the Society's risk profile (Code Staff). The Committee also reviews recommendations from the Chief Executive for approval of the remuneration of other Executives.

The Group's colleagues

All colleagues receive basic salary, benefits and pension consistent with market practice and are eligible to participate in one of the Group's Corporate Bonus Schemes. When setting salary increases for Executive Directors, the Committee considers the level of salary increases across the Group.

No colleague consultation on Executive Director remuneration has been undertaken.

The 'Sharing in our Success' Bonus Scheme ensures that each colleague below Executive level also has the correct mix of base and variable pay to reward and incentivise the performance required to deliver the ambitious strategic plans of the Society.

The metrics and rules of the 'Sharing in our Success' Bonus Scheme are broadly in line with the Executive Bonus Scheme. The Committee approved payments of the 2025 'Sharing in our Success' Bonus, in line with the scheme rules. The relative levels of bonus payment from the scheme were similar, as a percentage of the maximum award, to those awarded under the Executive scheme.

Summary of the remuneration of Material Risk Takers

Remuneration Code Staff or Material Risk Takers are currently defined as Senior Management, control functions and any colleague receiving total remuneration that takes them into the same remuneration bracket as Senior Management, or whose professional activities have a material impact on the Group's risk profile. The table below shows the aggregate remuneration for Code Staff in relation to their services to the Society and Group.

Category	Year	Number of colleagues	Salary or Fees £'000	Other taxable benefits £'000	Variable remuneration (Note 1) £'000	Total remuneration £000
Executive Directors	2025	5	1,246	150	372	1,768
	2024	4	1,272	158	336	1,766
Other Senior Management	2025	6	1,281	181	440	1,902
	2024	5	870	110	295	1,275
Other material risk takers	2025	18	1,829	231	230	2,290
	2024	18	1,891	268	367	2,526
Total	2025	29	4,356	562	1,042	5,960
	2024	27	4,033	536	998	5,567

1. Variable remuneration reflects participation in the Executive Bonus Scheme for Executive Directors and other members of the Executive Committee and the Corporate Bonus Scheme for all other Code Staff.

Consideration of Member views

The Society seeks the views of the Society's Members on its Remuneration Policy and practices via our Annual General Meeting process. For a number of years, the Committee has invited Members to vote on the annual Remuneration Report, and Members have always voted in favour.

The Directors' Remuneration Report was last voted on in April 2025. Member approval was given to the 31 December 2024 Directors' Remuneration Report (94% approval with 15,463 votes for, 1,061 against and 281 withheld).

The Remuneration Committee

The Committee is responsible for the oversight and governance of the Group's overall compliance with the Remuneration Code.

The Committee's main objectives are:

- to ensure that fair and competitive remuneration packages are in place, in line with market rates, that attract, retain and reward the Executive and Senior Management for delivering stated business objectives in support of the Group's Strategy and Purpose, ensuring a forward-looking approach to keep pace with the Society whilst providing value for Members, stakeholders and communities;
- to ensure compliance with the Regulators' Remuneration Code through at least annual review and to ensure the Remuneration Policy is consistent with regulatory requirements and the Group's financial situation and future prospects;
- to determine and agree with the Board the framework for Executive and Senior Management remuneration and conditions of employment;
- to approve the salaries, and any salary adjustments, variable pay awards and payments, for Executive and Material Risk Takers and to approve the terms of the annual pay review for all colleagues;
- approve the design of any variable remuneration schemes and approve the total annual payments under such schemes;
- to approve the Remuneration Policy Statement and Remuneration Committee Reports in the Annual Report and Accounts and Summary Financial Statements, and the remuneration section of the Pillar 3 disclosures;
- to approve service agreements, terms and conditions for the appointment of Executive Directors; and
- to consider and make recommendation to the Board on the general framework of colleague bonus schemes.

The Board believes remuneration should be sufficient to attract, retain and motivate colleagues and Senior Managers to continue to run the Group successfully and in line with stated aims and Purpose. The Remuneration Policy, therefore, focuses on rewarding colleagues and Executives in line with the achievement of the Group's goals set out in the strategic plan and corporate key performance indicators, thus ensuring long-term value for money for Members.

The Remuneration Committee operates within the terms of reference agreed by the Board. The terms of reference are reviewed annually and were last reviewed in June 2025. A review of the effectiveness of the Committee was also undertaken during 2025 covering areas including performance, membership, management information and administration of the Committee.

During the year, the Committee met four times, and activities included:

- overseeing compliance of the Group's approach to remuneration against the requirements of the Regulators' Remuneration Code;
- considering and agreeing pay and benefits for Executive Directors, Executives, Material Risk Takers and the Chair;
- overseeing remuneration and benefits matters across the Group;
- reviewing and benchmarking the level of pay for both colleagues and Executives;
- determining the level and approach to annual pay review for all colleagues;
- agreeing bonus metrics for the coming financial year;
- reviewing the performance for the full year and approving the level of Executive and Corporate Bonus to be paid based on achievement of various financial and non-financial key performance measures;
- agreeing changes to remuneration policies and practice;
- reviewing latest market practice to determine strategic reward focus for the coming years;
- considering the disclosure requirements for the Remuneration Report including Pillar 3 disclosures; and
- approving the Directors' Remuneration Report

External advice received

During the year, Willis Towers Watson were engaged to assist the Committee by reviewing the Group's Director and Executive level remuneration and benchmarking it against the external market. The Committee is satisfied that the advice received is objective and independent, with Willis Towers Watson being a reputable firm with no other ties to the Group, its Directors or Senior Management.

The fee for the advice was £25,334 (2024: £15,636).

On behalf of the Board

Rory Campbell

Chair of the Remuneration Committee

5 March 2026



**Every Member,
colleague,
branch, and
partnership
plays a role in
delivering our
Purpose**



Independent Auditors Report to the Members of Newcastle Building Society

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Newcastle Building Society (the 'Society') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 December 2025 and of the Group's and the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements which comprise:

- the Group and Society income statements;
- the Group and Society statements of comprehensive income;
- the Group and Society statements of financial position;
- the Group and Society statements of movements in members' interests;
- the Group and Society cash flow statements; and
- the related notes 1 to 43.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: <ul style="list-style-type: none"> ■ Fair value of equity release mortgages; and ■ Expected credit loss (ECL) allowance on residential lending The key audit matters identified above are consistent with the prior year.
Materiality	The materiality that we used for the Group financial statements was £3.4m which was determined on the basis of 1.0% of net assets.
Scoping	All components of the Group are operated centrally and all audit work was performed centrally by the Group audit engagement team. This provided 99% coverage of revenue, profit before tax and net assets of the Group.
Significant changes in our approach	We included a new component entity within the period, Hadrian Funding 2025-1 PLC, a securitisation entity within the scope of our audit, given the size and nature of the entity, and the judgement made over consolidation into the Group financial statements.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and the Society for the year are disclosed in note 6 to the financial statements. We confirm that that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Society.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

- obtaining an understanding of relevant controls around the directors' going concern assessment;
- assessing the Group's and Society's compliance with regulation including capital and liquidity requirements;
- involving prudential risk specialists in assessing the information supporting the liquidity and capital forecasts, including the stress testing and reverse stress testing performed by the directors;
- assessing the assumptions such as estimated future cash flows in the context of current and forecast macroeconomic conditions, capital and liquidity, used in the forecasts prepared by the directors;
- assessing historical accuracy of forecasts prepared by the directors; and
- assessing the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Fair value of equity release mortgages

Key audit matter description	<p>The Group accounts for its legacy portfolio of equity release mortgages (“ERMs”) at fair value through profit and loss under IFRS 9, determining fair value in accordance with IFRS 13.</p> <p>The ERMs had a carrying value at 31 December 2025 of £162.9m (2024: £171.6m), including £137.4m (2024: £146.7m) located in the UK and £25.5m (2024: £24.9m) located in Spain.</p> <p>The fair value of the ERMs is determined using a discounted cash flow model and is reliant upon several unobservable and judgemental inputs.</p> <p>Our key audit matter relates to the risk of management bias, and therefore the potential risk of fraud, in determining the estimate of the discount rates used and future UK house price (HPI) assumptions used within the fair value model used for the UK ERM portfolio and the impact these assumptions have on the modelling of the no negative equity guarantee. This also includes consideration of repayment profiles and the credit risk associated with the assets.</p> <p>The Group’s disclosure of the ERMs is detailed within note 13 and note 32. The associated accounting policies are detailed on page 109 with detail about critical accounting judgements in applying accounting policies and key sources of estimation uncertainty on page 114. The Audit Committee’s consideration of the matter is described on page 77.</p>
How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of the relevant controls over the fair valuation of ERM portfolios.</p> <p>We challenged the valuation methodology for the ERM portfolios by:</p> <ul style="list-style-type: none"> ■ involving our valuation specialists in the review and assessment of the appropriateness of changes made to the HPI functionality within fair value model mechanics in the period; ■ involving our valuation specialists in our assessment of the rates used to discount the future cash flows to present value, by independently determining a reasonable range of discount rates through utilising external data and taking into account the forecast repayment profiles associated with the Group’s borrowers and credit risks related to the assets; ■ involving our economics specialists to assess the future HPI forecast assumptions used; this was done by benchmarking to external information and assessing internal consistency with the assumptions used in other modelling by the Group; ■ assessing the appropriateness of the other elements inherent in the valuation of the underlying loan assets, such as no negative equity guarantees provided by the Group, with reference to trends in historical behavioural experience and by assessing the completeness and accuracy of the data used for a sample of loans. ■ challenging the appropriateness of the assumptions in light of current market factors; ■ performing a ‘stand back’ assessment as to whether the fair value of the ERM portfolio determined by the Group using each of the individually assessed judgemental inputs, resulted in a reasonable outcome when combined in aggregate through the ERM model; and ■ assessing the appropriateness of disclosures relating to the ERM portfolio, the Group’s methodology for determining fair value, and the estimation uncertainty in respect of the most significant accounting estimates.
Key observations	<p>Based on the work performed, we concluded that the Group’s valuation methodology of the UK ERM portfolio was in line with the accounting standards and that each of the assumptions, as well as the overall valuation, were within a reasonable range.</p>

5.2 Expected credit loss (ECL) allowance on residential lending

Key audit matter description	<p>Under IFRS 9, the Group is required to determine a provision for the expected credit loss (‘ECL’) on loans measured at amortised cost. Estimating expected credit losses requires judgement and estimation on assumptions relating to customer default rates, likelihood of repossession, future property values, forced sale discounts and indicators of significant increases in credit risk. These assumptions are informed using historical behaviour and experience through different economic cycles as well as credit bureau data.</p> <p>The Group held £5.0m (2024: £5.2m) of impairment provisions at year-end in accordance with IFRS 9 against its Prime and buy-to-let residential loans and advances to customers of £5,350.3m (2024: £4,906.3m).</p> <p>The Group applies four macro-economic scenarios when determining the ECL calculation: a central outlook, a downside, a severe downside and a growth scenario. The selection and probability weighting of relevant macro-economic scenarios is judgemental and has a significant impact on the ECL calculation.</p> <p>We have identified the selection of macro-economic assumptions relating to the house price index and unemployment as a key audit matter; it is highly judgemental and has a significant impact on the ECL calculation. There exists a risk of bias, and therefore a potential risk of fraud, in selecting the macro-economic scenarios applied in the IFRS 9 model.</p> <p>The Group’s loan loss provision balances are detailed within note 39. The associated accounting policies are detailed on pages 109–110 with detail about critical accounting judgements in applying accounting policies and key sources of estimation uncertainty on page 114. The Group’s consideration of the effect of the future economic environment is disclosed in note 38. The Audit Committee’s consideration of the matter is described on page 77.</p>
How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of the relevant controls over the loan impairment provisioning process. This included assessment of the data flows used within the models, and the level of challenge at the Model Risk Committee in respect of the assumption and methods used to determine these accounting estimates.</p> <p>We challenged the impairment provisions on residential mortgages by:</p> <ul style="list-style-type: none"> ■ involving our credit risk specialists to assess the compliance of the modelling approach and methodology with the requirements of IFRS 9; ■ involving our credit risk specialists to assess whether the documented modelled approach was implemented in practice and if there had been any changes to the model since our review in the prior period; ■ involving our economics specialist to challenge the Group’s consideration of the future economic environment by assessing the Group’s approach as well as comparing the Group’s weighted macroeconomic scenarios to publicly available data from peer organisations, regulators and economic commentators; ■ evaluating the level of provisions held compared to the low levels of historical loss data; ■ assessing, using publicly available data, whether the combination of management’s modelled downside and alternative downside scenarios appropriately captured credit risk relating to the future economic environment; ■ reconciling the mortgage book to the general ledger and substantively tested a sample of loans to assess whether the data used in the provision calculation was complete and accurate; and ■ assessing the appropriateness of disclosures relating to loan loss provisions, and the estimation uncertainty in respect of the most significant accounting estimates.
Key observations	<p>Based on the work performed, we concluded that the Group’s ECL applied to the residential mortgage book is reasonable.</p>

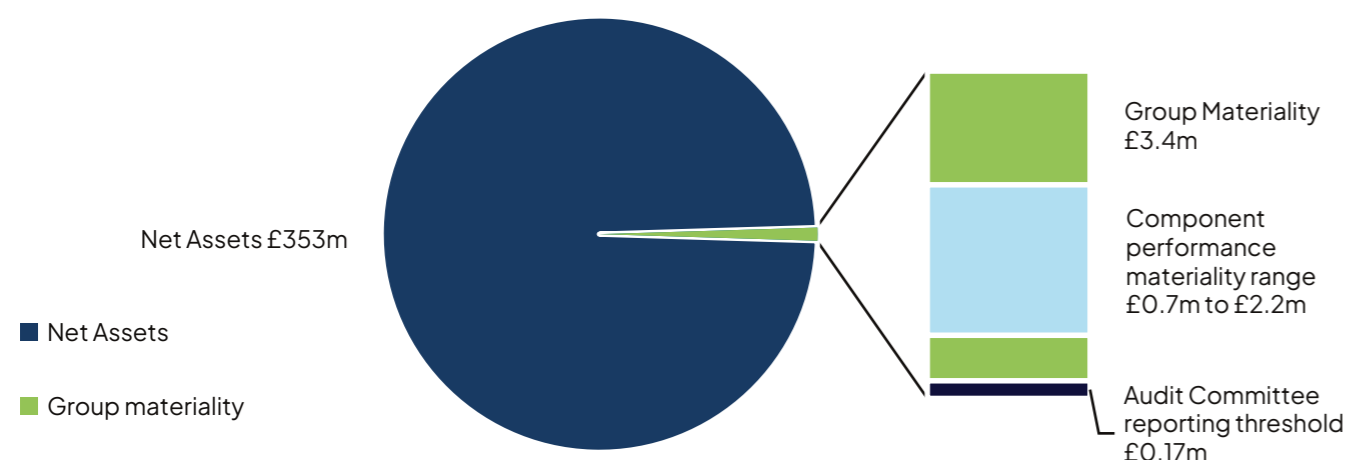
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Society financial statements
Materiality	£3.4m (2024: £2.7m)	£3.2m (2024: £2.4m)
Basis for determining materiality	1.0% (2024: 0.8%) of the Group's net assets	1.0% (2024: 0.8%) of the Society's net assets Society materiality is capped at 95% (2024: 95%) of Group materiality
Key observations	<p>In determining materiality we considered a range of benchmarks. The overall capital base is a key focus for the Group's and Society's members and regulators.</p> <p>Net assets are also a more stable metric in comparison to profit before tax. Therefore, net assets (consisting of reserves and subscribed capital) are considered the most appropriate base on which to determine materiality.</p>	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Society financial statements
Performance materiality	70% (2024: 70%) of Group materiality	70% (2024: 70%) of Society materiality
Basis and rationale for determining performance materiality	<p>In determining performance materiality, we considered the following factors:</p> <ul style="list-style-type: none"> the quality of the control environment and that we consider it appropriate to rely on controls over a number of business processes; and the nature, volume and size of misstatements in the previous audit. 	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £170k (2024: £135k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

We identified components at the individual entity level. All components of the Group are operated centrally and all audit work was performed centrally by the Group audit engagement team. We identified four components (2024: three components) where we performed an audit of the entire financial information. This provided 99% (2024: 99%) coverage of revenue, profit before tax and net assets of the Group.

The component performance materiality range used for determining the level of audit procedures to be performed ranged from £0.7m to £2.2m (2024: £0.2m to £1.7m).

At the Group level, we also tested the consolidation process.

7.2. Our consideration of the control environment

Our approach in relation to Group's business cycles

We relied on relevant automated and manual controls over the following business cycles that operate on the Group's core operating system:

- Residential mortgage lending (loans and advances to customers and interest income); and
- Saving accounts (due to members and interest payable).

We did not rely on controls over the operating systems that were brought into the Group through the merger with Manchester Building Society.

We also obtained an understanding of controls that relate to our identified significant audit risks. The Internal Audit Committee's assessment of the Group's internal control environment is set out on page 78.

Our approach in relation to Group's IT systems

We relied on controls over the following IT systems as being key to the financial reporting processes in the Group:

- Core mortgage (lending) system;
- Core savings (deposits) system;
- Underlying databases for the above system, as applicable; and
- The accounting system, WorkDay

Together with IT specialists, we tested the general IT controls related to these systems. Where relevant, we reviewed service auditor reports obtained by the Group in respect of these systems to assess for any contradictory information. We were able to rely on these controls as originally planned.

7.3. Our consideration of climate-related risks

In planning our audit, we made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements.

As disclosed in note 1, the directors concluded that there was no material impact on the financial statements. Our evaluation of this conclusion included performing enhanced risk assessment procedures over the key judgements and estimates in areas where we considered that there was greatest potential for climate change impact. This was principally in relation to the loan loss provisions.

We also considered the consistency of the climate change disclosures included in the Strategic Report with the financial statements and our knowledge from our audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

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 auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, financial instruments, valuations, pensions, IT, economics, real estate, credit risk and prudential risk specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: fair value of equity release mortgages and ECL allowance on residential lending. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Building Societies Act 1986 for the Society and the UK Companies Act for the subsidiaries.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the regulations set by the Prudential Regulatory Authority (PRA) relating to the regulatory capital and liquidity requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified the fair value of equity release mortgages and ECL allowance on residential lending as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the PRA, Financial Conduct Authority (FCA) and HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Building Societies Act 1986

In our opinion, based on the work undertaken in the course of the audit:

- the annual business statement and the directors' report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the annual business statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

In the light of the knowledge and understanding of the Group and the Society and their environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

13. Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 43 to the financial statements for the financial year ended 31 December 2025 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Building Societies Act 1986 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Society's members at the Annual General Meeting on 28 April 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years, covering the years ending 31 December 2021 to 31 December 2025.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

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

David Heaton (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

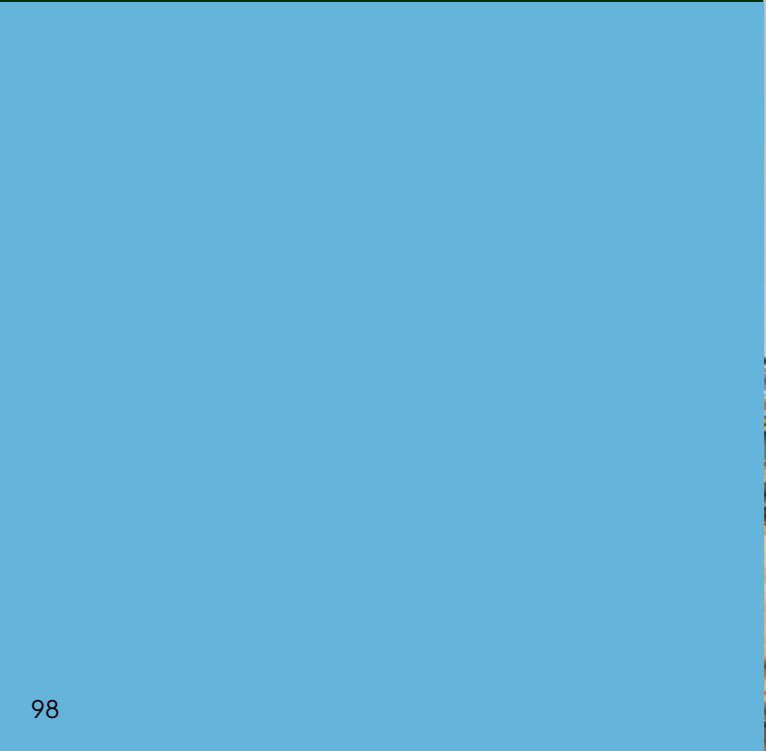
Manchester, United Kingdom

5 March 2026

Financial Statements



Connecting our communities with a better financial future



Income Statements for the year ended 31 December 2025

	Note	Group		Society	
		2025	2024	2025	2024
		£m	£m	£m	£m
Interest receivable and similar income					
Interest income calculated using effective interest rate	2	300.9	285.7	319.7	294.7
Interest income recognised in respect of mortgages held at fair value	2	11.2	11.4	11.2	11.4
Net income on derivatives hedging mortgage assets	2	23.0	38.6	17.9	30.7
Total interest receivable and similar income	2	335.1	335.7	348.8	336.8
Interest payable and similar charges	3	(233.7)	(243.8)	(245.9)	(243.0)
Net interest income		101.4	91.9	102.9	93.8
Other income	4	60.7	56.1	18.3	14.2
Other charges	4	(0.6)	(0.2)	(0.5)	(0.2)
Fair value gains less losses on financial instruments and hedge accounting	37	(6.5)	4.9	(7.9)	5.3
Income from dividends	4	1.1	0.2	1.4	1.6
Total operating income		156.1	152.9	114.2	114.7
Administrative expenses	6	(124.3)	(111.1)	(83.8)	(78.1)
Depreciation and amortisation	16, 17	(8.4)	(7.6)	(2.9)	(2.5)
Operating profit before impairments and provisions		23.4	34.2	27.5	34.1
Impairment reversals on loans and advances to customers	12	0.7	2.5	0.6	2.3
(Loss) / gain on disposal of non-current assets		(0.2)	-	0.4	-
Provisions for liabilities and charges	24	(1.3)	(21.0)	(0.9)	(20.7)
Profit for the year before taxation		22.6	15.7	27.6	15.7
Taxation (expense) / credit	8	(4.6)	0.8	(7.0)	2.3
Profit after taxation for the financial year		18.0	16.5	20.6	18.0

The notes on page 106 to 177 form part of these Accounts.

Statements of Comprehensive Income for the year ended 31 December 2025

	Note	Group		Society	
		2025	2024	2025	2024
		£m	£m	£m	£m
Profit for the financial year		18.0	16.5	20.6	18.0
Other comprehensive income					
<i>Items that may be reclassified to Income Statement:</i>					
Cash flow hedges					
Fair value movements recognised in equity	37	(3.8)	7.1	(3.8)	7.1
Amounts transferred to the Income Statement	37	(2.7)	(2.1)	(2.7)	(2.1)
Tax on net amounts recognised in equity	37	1.6	(1.3)	1.6	(1.3)
Financial assets measured at fair value through other comprehensive income					
Fair value movements recognised in equity		0.1	(0.4)	0.1	(0.4)
Tax on net amounts recognised in equity		-	0.2	-	0.2
Total items that may be reclassified to the Income Statement		(4.8)	3.5	(4.8)	3.5
<i>Items that will not be reclassified to Income Statement:</i>					
Remeasurement of retirement benefit obligation	19	0.4	-	0.4	-
Total comprehensive income for the financial year		13.6	20.0	16.2	21.5

The notes on page 106 to 177 form part of these Accounts.

Balance Sheets as at 31 December 2025

	Note	Group		Society	
		2025	2024	2025	2024
		£m	£m	£m	£m
ASSETS					
Cash and balances with the Bank of England		177.3	451.5	177.3	451.5
Loans and advances to credit institutions	10	146.2	101.8	97.5	85.1
Debt securities	11	859.2	602.3	859.2	602.3
Derivative financial instruments	35	16.9	56.6	12.7	47.9
Loans and advances to customers	12	5,714.2	5,289.3	5,712.9	5,287.8
Deemed loan asset	14	-	-	5.7	14.7
Fair value adjustments for hedged risk	37	16.6	(21.9)	16.6	(21.9)
Other assets	20	17.8	17.0	4.6	13.0
Current tax assets		5.8	1.8	5.8	3.1
Investments	15	1.4	1.6	47.4	42.7
Intangible assets	16	11.7	13.8	4.1	1.5
Property, plant and equipment	17	36.6	34.0	18.5	15.6
Deferred tax assets	18	8.2	8.4	8.1	8.4
Total assets		7,011.9	6,556.2	6,970.4	6,551.7
LIABILITIES					
Due to Members	21	5,882.7	5,432.7	5,882.7	5,432.7
Fair value adjustments for hedged risk	37	1.6	-	1.6	-
Due to other customers		163.8	241.0	163.8	241.0
Deposits from credit institutions		158.9	417.6	158.9	417.6
Debt securities in issue	22	323.4	-	-	-
Derivative financial instruments	35	44.5	29.4	40.3	29.4
Deemed loan liability	14	-	-	294.2	-
Other liabilities	23	23.9	22.6	21.3	26.2
Provisions for liabilities	24	2.2	11.2	2.2	11.2
Deferred tax liabilities	18	3.5	1.6	1.9	-
Subordinated liabilities	25	19.6	20.2	19.6	20.2
Subscribed capital	26	34.7	34.8	34.7	34.8
Total liabilities		6,658.8	6,211.1	6,621.2	6,213.1
Reserves		353.1	345.1	349.2	338.6
Total Members' interest, equity and liabilities		7,011.9	6,556.2	6,970.4	6,551.7

These accounts were approved by the Board of Directors on 5 March 2026 and signed on its behalf by

Andrew Haigh
Chief Executive

Statements of Movements in Members' Interests for the year ended 31 December 2025

Group	General reserve	Fair value through other comprehensive income	Cash flow hedge reserve	Other equity instruments	Total reserves
	£m	£m	£m	£m	£m
At 1 January 2025	299.8	0.2	5.1	40.0	345.1
Profit for the year	18.0	-	-	-	18.0
Other comprehensive income					
Net movement in fair value through other comprehensive income	-	0.1	-	-	0.1
Net movement in cash flow hedge reserve	-	-	(4.9)	-	(4.9)
Remeasurement of retirement benefit obligation	0.4	-	-	-	0.4
Total other comprehensive income	0.4	0.1	(4.9)	-	(4.4)
Total comprehensive income	18.4	0.1	(4.9)	-	13.6
Distribution to Additional Tier 1 capital holders	(5.6)	-	-	-	(5.6)
At 31 December 2025	312.6	0.3	0.2	40.0	353.1

Group	General reserve	Fair value through other comprehensive income	Cash flow hedge reserve	Other equity instruments	Total reserves
	£m	£m	£m	£m	£m
At 1 January 2024	284.2	0.4	1.4	-	286.0
Profit for the year	16.5	-	-	-	16.5
Additional Tier 1 capital issued	(0.9)	-	-	40.0	39.1
Other comprehensive income					
Net movement in fair value through other comprehensive income	-	(0.2)	-	-	(0.2)
Net movement in cash flow hedge reserve	-	-	3.7	-	3.7
Total other comprehensive income	-	(0.2)	3.7	-	3.5
Total comprehensive income	15.6	(0.2)	3.7	40.0	59.1
At 31 December 2024	299.8	0.2	5.1	40.0	345.1

Statements of Movements in Members' Interests for the year ended 31 December 2025

Society

	General reserve	Fair value through other comprehensive income	Cash flow hedge reserve	Other equity instruments	Total reserves
	£m	£m	£m	£m	£m
At 1 January 2025	293.3	0.2	5.1	40.0	338.6
Profit for the year	20.6	-	-	-	20.6
Other comprehensive income					
Net movement in fair value through other comprehensive income	-	0.1	-	-	0.1
Net movement in cash flow hedge reserve	-	-	(4.9)	-	(4.9)
Remeasurement of defined benefit obligation	0.4	-	-	-	0.4
Total other comprehensive income	0.4	0.1	(4.9)	-	(4.4)
Total comprehensive income	21.0	0.1	(4.9)	-	16.2
Distribution to Additional Tier 1 capital holders	(5.6)	-	-	-	(5.6)
At 31 December 2025	308.7	0.3	0.2	40.0	349.2

Society

	General reserve	Fair value through other comprehensive income	Cash flow hedge reserve	Other equity instruments	Total reserves
	£m	£m	£m	£m	£m
At 1 January 2024	276.2	0.4	1.4	-	278.0
Profit for the year	18.0	-	-	-	18.0
Additional Tier 1 capital issued	(0.9)	-	-	40.0	39.1
Other comprehensive income					
Net movement in fair value through other comprehensive income	-	(0.2)	-	-	(0.2)
Net movement in cash flow hedge reserve	-	-	3.7	-	3.7
Total other comprehensive income	-	(0.2)	3.7	-	3.5
Total comprehensive income	17.1	(0.2)	3.7	40.0	60.6
At 31 December 2024	293.3	0.2	5.1	40.0	338.6

The notes on page 106 to 177 form part of these Accounts.

Cash Flow Statements for the year ended 31 December 2025

Note	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Net cash flows from operating activities	(282.5)	(110.6)	(306.5)	(117.0)
Corporation tax paid	(5.0)	(2.9)	(5.0)	(2.9)
Cash flows from operating activities	(287.5)	(113.5)	(311.5)	(119.9)
Cash flows from investing activities				
Purchase of property, plant and equipment	(6.5)	(4.7)	(5.0)	(2.8)
Purchase of intangible assets	(2.5)	(4.6)	(0.1)	(0.5)
Sale of property, plant and equipment	1.4	-	1.4	-
Acquisition of trade and assets	(0.2)	(0.1)	-	(0.1)
Additional loans to subsidiary undertakings	-	-	-	(1.3)
Repayment of loans to subsidiary undertakings	-	-	-	0.3
Purchase of debt securities	(432.2)	(475.6)	(432.2)	(475.6)
Sale and maturity of debt securities	182.0	485.4	182.0	485.4
Net cash flows from investing activities	(258.0)	0.4	(253.9)	5.4
Cash flows from financing activities				
Interest paid on subscribed capital and subordinated liabilities	(5.9)	(4.3)	(5.9)	(4.3)
Interest paid on debt securities in issue	(6.3)	-	-	-
Distribution to Additional Tier 1 capital holders	(5.6)	-	(5.6)	-
Proceeds on issue of subordinated liabilities	-	19.8	-	19.8
Proceeds on issue of debt securities in issue	349.3	-	-	-
Principal repayments of debt securities in issue	(27.0)	-	-	-
Payments on deemed loan	-	-	303.9	(1.3)
Proceeds of Additional Tier 1 capital	-	39.1	-	39.1
Capital and interest payments for lease arrangements	(1.5)	(2.3)	(1.5)	(2.3)
Net cash flows from financing activities	303.0	52.3	290.9	51.0
Net decrease in cash and cash equivalents	(242.5)	(60.8)	(274.5)	(63.5)
Cash and cash equivalents at start of year	472.7	533.5	456.0	519.5
Cash and cash equivalents at end of year	230.2	472.7	181.5	456.0

The notes on page 106 to 177 form part of these Accounts.

Notes to the Accounts for the year ended 31 December 2025

1. Material accounting policies

Basis of preparation

The Annual Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the UK and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and in accordance with the Building Societies Act 1986 and the Building Societies (Accounts and Related Provisions) Regulations 1998 as applicable to building societies reporting under IFRS.

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial instruments measured at fair value at the end of each reporting period. The Directors' going concern review considered the Group's and Society's forecasts, including different possible scenarios based on possible internal and external developments and arising risks. Together with regular stress testing, the forecasts show that the Group and Society will be able to maintain adequate levels of both liquidity and capital for at least the next 12 months while meeting all relevant regulatory requirements.

After making enquiries, the Directors are therefore satisfied that both the Group and the Society has adequate resources to continue in business for at least the next 12 months and therefore it is appropriate to adopt the going concern basis of accounting in preparing these financial statements. The Directors have concluded that there are no material uncertainties that may cast significant doubt upon the Group and Society's ability to continue to apply the going concern basis of accounting.

The Group has chosen to present the financial statements in pound Sterling, which is the Group's functional currency. All figures in the financial statements are rounded to the nearest hundreds of thousands of pound Sterling (£0.0m), unless otherwise stated.

The ultimate controlling party and parent to the Group is Newcastle Building Society.

A summary of the Group's principal accounting policies is set out below.

Basis of consolidation

The Group Accounts include the results of the Society, its subsidiary undertakings and other entities which it is deemed to control, all of which have accounting periods ending 31 December. Subsidiaries and other controlled entities are entities over which the Society has the power to control financial and operating policies so as to obtain benefits from their activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases. Upon consolidation, inter-company transactions, balances and unrealised gains or losses on transactions are eliminated. The accounting policies of subsidiaries are consistent with Group accounting policies.

Securitisations

The Group securitises mortgage loans by transferring the beneficial ownership of a mortgage pool to a Special Purpose Vehicle (SPV), which issues debt secured on the transferred mortgage loans. The Society is deemed to control the SPV, and therefore the SPV is fully consolidated into the Group accounts under IFRS 10, Consolidated Financial Statements.

Since the Society is entitled to any residual profits or losses of the SPV, it retains substantively all risks and rewards of holding the mortgage loans. As a result, the transfer of the beneficial ownership of the mortgage loans to the SPV does not meet the criteria for derecognising the mortgages from the Society's Balance Sheet under IFRS 9, Financial Instruments. The Society therefore continues to recognise the securitised mortgage loans on its Balance Sheet. The proceeds received by the Society from the transfer of the mortgage pool are accounted for as a deemed loan from the SPV. Any loan notes retained by the Society are netted off the deemed loan.

The transaction includes an interest rate hedging structure to the effect that the mortgage cash flows transferred to the SPV are based on a floating interest rate.

Income recognition

Interest income and expense

Interest receivable and interest payable for all interest bearing financial instruments are recognised within 'Interest receivable and similar income' and 'Interest payable and similar charges' in the consolidated Income Statements, using the effective interest rate method (EIRM).

EIRM is used to calculate the amortised cost of financial instruments and to recognise interest receivable or payable over the relevant period. The effective interest rate is the rate that exactly discounts estimated cash flows (excluding credit losses) to zero, through the expected life of the instrument. In calculating the effective interest rate, all contractual terms of the financial instrument are taken into account. Historical and forecast mortgage redemption data and management judgement are used to estimate the expected lives of mortgage assets.

Fees and commissions income and charges

Fees and commissions relating to originating loans and advances to customers are deferred and spread using the EIRM and included in interest income. Other fees and commissions are recognised as 'Other income' on the accruals basis as services are provided.

Other income

Other income relates to income from contracts with customers recognised under IFRS 15, Revenue from Contracts with Customers. Revenue is measured as the fair value of consideration specified in the contract with a customer. The Group recognises revenue at both point in time and over time depending on the nature of the performance obligations in the contract with the customer.

Savings management services and savings management project and change services

Savings management services and savings management project and change services are provided by the Society's subsidiary, Newcastle Strategic Solutions Limited (NSSL).

Significant work may be required to implement the requirements of a new customer, to implement changes required by existing customers or to decommission NSSL's services. Revenue relating to such services are recognised as savings management project and change services and is recognised over time. Each contractual milestone being a performance obligation has a corresponding transaction price which represents the portion of the service provided to the customer.

Revenue for savings management services is recognised over time in discrete monthly amounts which are calculated based on actual work completed in the relevant month. The amount of revenue recognised for ongoing savings management is spread evenly throughout the contractual term, consistent with the pattern of transfer of the service to the customer. Where the Group is reimbursed for certain external costs incurred on behalf of clients, the company acts as agent with the costs contractually directed by the clients.

IT services

NSSL provide managed IT services to the Group and external customers, which includes managed IT solutions for savings management and client account systems, and data storage services. The amount of revenue recognised for savings management systems and data storage services is spread evenly throughout the contractual term, recognised on a monthly basis, consistent with the pattern of transfer of the service to the customer. The amount of revenue recognised for client account systems is calculated based on the actual asset balance held by a customer in the relevant month.

Regulated advice services

Regulated advice services are provided by the Society's subsidiary, Newcastle Financial Advisers Limited (NFAL). All services derive from NFAL's principal activity, the provision of financial planning services, and include regulated advice, ongoing advice, and life protection plans. NFAL is an appointed representative of Openwork Limited and provides services on behalf of Openwork Limited. For the purposes of IFRS 15, Openwork Limited is the sole customer of NFAL and all consideration for the services provided by NFAL is received from Openwork Limited.

Revenue for regulated advice and protection plans is recognised when confirmation of the investment or plan is received by Openwork Limited, and the service is complete. Revenue for ongoing advice is recognised on a straight-line basis at the end of each month the service is in place. Consideration for regulated advice and protection plans is calculated using contractually stated and agreed rates, on an ad valorem basis for regulated advice, and dependent upon specific product lines for protection plans. Consideration for ongoing service is calculated on an annual basis as a percentage of an investment portfolio.

Third party services

Third party services are provided by the Society through its branch network and online. The Society introduces customers to third parties who provide mortgage related services such as conveyancing. The Society is the principal in the relationship with each third party provider and has no contractual relationship for the third party service with the customer.

The service provided of introducing or referring customers to a third party is complete once the third party provider has agreed a sale with the customer. Revenue is recognised when cash is received, which in all instances is in line with, or shortly after, completion of the contract in line with contractual payment terms. Consideration for all services is calculated based on discrete, and contractually agreed, transaction prices which are noted as a commission amount to the Society. All payments received relate to performance completed up to the invoice date.

All services

Due to the nature of services provided, IFRS 15 is more material to NSSL and NFAL than to the Society. Details of transactions which are not material to the Group, but are material to the individual subsidiaries, can be found in the specific subsidiary's annual report and accounts.

The transaction prices for all services provided by the Group are calculated using contractually stated and agreed rates. There are no elements of variable consideration, no significant payment terms and no critical judgements in allocating the transaction price. There is little judgement in the recognition of this revenue as transaction prices are agreed upfront, the timing and scope of work is agreed as part of each customer's contract.

Financial assets

In accordance with IFRS 9 the Group classifies its financial assets into the following categories:

Financial assets held at amortised cost

Under IFRS 9, assets may be held at amortised cost, where the assets contractual cash flows reflect solely payments of principal and interest on the principal amount outstanding (SPPI) and the business model is to hold the asset to collect the contractual cash flows. In this case, income is recognised under the EIRM.

In assessing the business model applicable to its financial assets, the Group has considered how financial asset performance is evaluated and reported to senior management, the key risks affecting this performance, how these are managed, and how managers of the business are compensated in respect of asset performance.

Loans and advances to customers

The Group's mortgage lending, other than equity release mortgages, meets the definition of SPPI as the Group originates the mortgages with the intention to hold the asset until maturity, collecting contractual cash flows. Mortgage assets are recognised on the Balance Sheet as 'loans and advances to customers'. Interest is recognised in accordance with the EIRM.

Loans and advances to credit institutions

The Group's non-mortgage lending, typically loans and advances to credit institutions, is similarly undertaken with a view to recovery of contractual cash flows and with interest charged that meets the SPPI requirements.

Cash

The Group's cash balances, where interest generative, are held to collect contractual interest flows and to ensure appropriate liquidity is available to meet the Group's liabilities as they fall due.

Trade receivables

The Group's trade receivables, held within other assets on the Balance Sheet, whether due from third parties or intra-group companies, are held to collect the contractual cash balances as they fall due. The Group does not engage in debt factoring activities.

Financial assets held at fair value through other comprehensive income

Under IFRS 9, where the contractual cash flow characteristics of an asset reflect SPPI, an asset may be classified as 'fair value through other comprehensive income' (FVOCI), where the assets are held to collect contractual cash flows or to sell. In this case, the fair value of the asset is recognised on the Balance Sheet, whilst the fair value movement is recognised in 'other comprehensive income'. Interest received on these assets continues to be recognised in the Income Statement using the EIRM.

Debt securities

The Group holds a portfolio of debt securities for liquidity management purposes, primarily consisting of covered bonds, residential mortgage-backed securities (RMBS), supranational bonds, treasury bills and government gilts. These instruments meet the definition of SPPI but may be sold if liquidity is required. They are therefore held at FVOCI.

Financial assets held at fair value through profit and loss

Under IFRS 9, where the contractual cash flow characteristics of an asset do not reflect SPPI, or where assets are neither held for sale or to collect contractual cash flows, the asset is classified at 'fair value through profit or loss' (FVTPL), with fair value movements recognised through the Income Statement.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its exposures relating to interest rates and foreign exchange rates. Derivative financial instruments are recognised at fair value on the date the derivative contract is entered into and subsequently re-measured at their fair value with changes in fair value being recognised in the Income Statement. In accordance with the Group's Treasury Policy and the Building Societies Act 1986, the Group does not hold or issue derivative financial instruments for trading purposes. The need for credit valuation adjustments is considered in the determination of the fair value of derivatives.

Fair value hedge accounting

Derivative financial instruments may be designated in formal accounting hedge relationships. At the Balance Sheet date, this included micro fair value hedges accounted for under IFRS 9, and portfolio macro fair value hedges accounted for under IAS 39, Financial Instruments: Recognition and Measurement.

The fair value of the hedged risk is included on the Balance Sheet under the heading 'fair value adjustments for hedged risk'. Any gain or loss arising from hedge ineffectiveness is recognised immediately in the Income Statement in the 'fair value gains less losses on financial instruments and hedge accounting' line.

Micro fair value hedges are assessed before the hedge is incepted and regularly thereafter, ensuring there continues to be an economic relationship between the hedged item and the hedging derivative and that value changes are not primarily due to credit risk, as required by IFRS 9.

The hedge effectiveness of macro hedges is assessed both pro- and retrospectively. In accordance with IAS 39 only highly effective hedges are incepted or continued.

When a hedging instrument is terminated or no longer meets the criteria for hedge accounting, and the underlying asset or liability remains on the Balance Sheet, hedge accounting is discontinued. Cumulative hedge adjustments are amortised to the Income Statement within 'net interest income'.

Cash flow hedge accounting

Derivatives may also be designated into formal cash flow hedge relationships under IFRS 9. The effective portion of changes in the fair value of designated derivatives are recognised in 'other comprehensive income' and accumulated in the cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement and is included in the 'fair value gains less losses on financial instruments and hedge accounting' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects profit or loss and are included in the 'fair value gains less losses on financial instruments and hedge accounting' line. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to the Income Statement.

The Group discontinues cash flow hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss and is included in the 'fair value gains less losses on financial instruments and hedge accounting' line item.

Mortgage assets held at fair value through profit or loss

The Group's equity release mortgage assets contractual cash flows are not solely payments of principal and interest and are therefore classified as fair value through profit and loss (FVTPL). Assets classified as FVTPL are initially recognised at fair value with any subsequent changes in fair value recognised immediately in the Income Statement.

The fair value is the present value of the forecast contractual cash flows less the value of the no-negative equity guarantee, which is calculated using an option pricing model, discounted using a suitable market rate at the reporting date. Inputs are market driven, or where no market driven data is available, are based on management judgement informed by observable data to the greatest extent possible. Interest on equity release mortgages is recognised in accordance with the EIRM, based on contractual interest rates or market interest rates as at the time of the loan's acquisition where applicable.

Included in the equity release mortgage assets is a fixed reversion book. For this book, the repayment amount is determined at mortgage completion, but the timing of redemption is uncertain. Interest on fixed reversion loans is recognised based on the interest rate implicit in the mortgage contract.

Offsetting

The Group has financial assets and liabilities for which there is a practical right to offset the recognised amounts, and which are settled net in practice. However, the netting arrangements do not result in an offset of balance sheet assets and liabilities for accounting purposes as the right to offset is not unconditional in all circumstances. There are no financial assets or liabilities which are offset with the net amount presented on the Balance Sheet.

Cash and cash equivalents

For the purpose of the Cash Flow Statements, 'cash and cash equivalents' comprises cash in hand, balances with the Bank of England, loans and advances to credit institutions available on demand or with original maturities of three months or less and debt securities with a maturity period of three months or less i.e. highly liquid assets readily convertible into cash. For operational purposes, the Group's debt security portfolio is maintained for liquidity purposes with the assets therein demonstrably convertible into cash regardless of maturity. The Group does not include encumbered assets in its cash and cash equivalents.

The Group does not consider the timing of derivative collateral inflows to be sufficiently reliably estimated to include such collateral placed with counterparties as a liquid asset for cash flow presentation.

Impairment of financial assets

Loss allowances for expected credit losses are recognised on all financial assets held at either amortised cost or FVOCI, with loss allowances recognised in the Income Statement.

Under IFRS 9, the Group conducts a forward-looking assessment of impairment. Expected credit losses are recognised across applicable financial assets based on whether there has been a significant increase in credit risk since the asset's origination. Internal provisioning models are used to determine expected credit losses for each individual asset, based on four different economic scenarios (base, upside, downside and stressed downside). The four scenarios are assigned a probability weighting to determine the loss allowance recognised. Where an asset has not seen a significant increase in credit risk since its origination ('stage 1 assets'), 12 month expected credit losses are recognised as a loss allowance. These are the portion of lifetime expected credit losses that result from default events on the asset expected within the 12 months after the reporting date.

Where an asset has seen a significant increase in credit risk since origination, but there is no objective evidence of impairment at the reporting date ('stage 2 assets'), lifetime expected credit losses are recognised.

Where an asset has seen significant increase in credit risk since origination and there is objective evidence of impairment at the reporting date ('stage 3 assets'), lifetime expected credit losses are recognised and interest income is to be calculated against the net carrying amount of the financial asset, rather than the gross amount.

Where lifetime probabilities of default are not available on acquired books, the Group uses comparable customer credit ratings and loan to value information to assess a suitable provision for that lending.

Definition of default

A loan is considered to be in default and is allocated to stage 3 if the loan is in more than three months arrears, is in possession, certain forbearance measures have been granted or meets internal "unlikely to pay" criteria such as bankruptcy. Loans can move between stages subject to a curing period once the loan no longer meets the criteria for its staging.

Residential and buy-to-let mortgages

Significant increase in credit risk since origination

At the application stage, a prospective borrower's credit risk is assessed. The Group does not lend to customers who are determined as high risk but will lend to customers who can fall under a range of application scores – based on a wide variety of factors including affordability, credit history and committed monthly spend. A borrower's application score gives a quantified assessment of borrower risk – a risk score. On a quarterly basis, the Group receives borrower credit scores. This data is mapped internally to a new borrower risk score – allowing continuous assessment of the movement in borrower risk since origination. The Group apply the below criteria when assessing whether there has been a significant increase in credit risk for residential and buy-to-let mortgages:

Stage 1 borrowers:

- Risk score is suitably consistent between origination date and reported date.

Stage 2 borrowers:

- Risk score increases past pre-defined internal thresholds but has not defaulted; or
- Have fallen into more than one month arrears.

Stage 3 borrowers:

- Have defaulted (assessed against a range of internal qualitative and quantitative criteria); or
- Have fallen into more than three months arrears.

Commercial and other legacy books

Significant increase in credit risk since origination

An assessment of the risk of loss against the Group's legacy mortgage books is carried out on a case-by-case basis, with the exception of serviced apartments that are assessed using a similar methodology as residential lending. Across the highest risk exposures, this includes the annual completion of a tailored risk grade scorecard designed to encompass the key characteristics contributing to underlying risk. Each of the scorecard risks are weighted to provide a final weighted risk score for the loan, which categorises the loan in terms of likelihood of failure in a moderate or severe recessionary scenario. The risks that carry the highest weightings relate to tenant failure and serviceability. Due to the low number of remaining commercial borrowers, all borrowers are closely monitored. All payments due are monitored on a real-time basis. In the event of a late payment, the position is reviewed immediately and appropriate action taken. The Group apply the below criteria when assessing whether there has been a significant increase in credit risk for commercial and legacy mortgages:

Stage 1 borrowers:

- Risk score is suitably consistent between origination date and reported date.

Stage 2 borrowers:

- Risk score increases past pre-defined internal thresholds, or where the commercial lending department flags that credit risk has increased significantly, but a borrower has not otherwise defaulted; or
- Have fallen into more than one month arrears.

Stage 3 borrowers:

- Have defaulted (assessed against a range of internal qualitative and quantitative criteria); or
- Have fallen into more than three months arrears.

Purchased or originated credit impaired (POCI)

Loans that are either purchased or originated credit impaired (POCI) are classified as stage 3 assets at initial recognition and cannot be transferred to stage 1 or 2 even if the credit quality of these assets improves. The Group has a portfolio of loans acquired as part of the Manchester Building Society's transfer of engagements that meets this definition. Any change in the credit quality of the asset at each reporting date is reflected in the Income Statement.

Modifications

The Group grants forbearance to commercial borrowers in the form of extending the loan term on maturity, capitalising arrears as part of a wider exercise to get a borrower back on track with a revised debt repayment plan and adjusting the interest rate to aid serviceability particularly where a fixed rate has expired. Generally, the Group expects commercial

investment loans to be repaid on maturity given the stated strategy of winding down the portfolio, but the Group will grant forbearance when this is also in the best interests of the Group, e.g. providing the borrower with more time to sell the security property following a tenant renewal. The Group occasionally grants forbearance to other borrowers (in similar forms to commercial) where this is expected to improve the ultimate recovery on loans advanced.

The requirement to grant forbearance is considered an objective indicator that an asset has suffered a significant increase in credit risk since origination. As such, while forbearance may mitigate a selection of the Group's other indications of default, the granting of forbearance will not result in a preferential staging (Stage 1 or 2) being applied to any forbore asset. While benefitting from any revised terms that forbearance may bring, an asset is not able to move to a lower staging. Only once forbearance has been lifted can an asset qualify for a reduced staging with the Group operating a six month curing policy: deferring the reduction in staging until a six month period has passed in which no other indicators of default or heightened credit risk have presented themselves.

Other assets

The Group has elected to take advantage of IFRS 9's practical expedient when assessing the accounting impairment applied to its trade receivables. Lifetime expected credit losses are therefore provided against all trade receivables. A provisions matrix approach, where provisions against receivables are calculated as an increasing percentage of the receivable balance, rising as receivables fall further overdue, has been adopted.

Assessment of the appropriate provision percentages has been made in line with the Group's historic trade receivable recovery. Where appropriate, forward-looking views to recovery are also incorporated.

See note 38 for details on the Group's provisioning methodology.

Financial liabilities

All financial liabilities are initially measured at fair value, being the issue proceeds, net of premia, discounts and transaction costs incurred.

Derivative financial liabilities remain accounted for at fair value on the Balance Sheet date. Hedged risk fair value adjustments are also held on the Balance Sheet at fair value. The remaining Group financial liabilities including shares, deposits, Permanent Interest Bearing Shares (subscribed capital) and subordinated loan notes and are subsequently measured at amortised cost, using the EIRM.

Investments in subsidiaries

Investments in subsidiaries are held on the Balance Sheet at cost less impairment, for cost of shares and amortised cost for loans to subsidiaries. Investments in subsidiaries are assessed for impairment on an annual basis.

Property, equipment and intangible assets

Intangible Assets

Intangible assets relate to computer software purchased from third parties, development costs for internally generated software, and customer lists acquired from third parties. An intangible asset is recognised to the extent it is probable that expected future economic benefits will flow from it and the costs can be measured reliably.

For development costs for internally generated software, where all capitalisation criteria specified in IAS 38, Intangible Assets, are met, the expenditure directly attributable to a project is capitalised. Any expenditure related to development of internally generated software that does not meet these criteria is recognised in the Income Statement in the period in which it is incurred.

Computer software and development costs are initially recognised at cost, which includes the original purchase price of the asset and the costs directly attributable to acquiring the asset and bringing it into working condition for its intended use. Customer lists are initially recognised at fair value. Subsequently, intangible assets are recognised at their initial value less accumulated amortisation and any provisions for impairment.

Amortisation of intangible assets commences when they are ready for their intended use and is provided at rates calculated to write down the assets to their estimated residual values over the course of their anticipated useful lives, on the following bases:

Computer software	- 5 to 7 years
Development costs	- 5 to 7 years
Customer lists	- 5 to 7 years

At each Balance Sheet date, the Group reviews the carrying value of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable value of the asset is estimated to determine the extent of the impairment loss (if any). If the recoverable value of an asset is estimated to be less than the current carrying value, the carrying value of the asset is reduced to its recoverable value. Where an impairment loss subsequently reverses, the carrying value of the asset is increased to the revised estimate of its recoverable value.

Software as a service (SaaS)

A SaaS arrangement is a type of cloud computing in which the supplier provides the customer with access to application software residing on the supplier's infrastructure. These arrangements can include other services, such as technical support, implementation and data migration. The customer typically pays a fee on a periodic basis and implementation costs may be incurred at the inception of the arrangement.

Where the Group enters into a SaaS arrangement, the Group recognises a software asset only if such an intangible asset or a software lease is received at commencement of the arrangement, otherwise, the arrangement is accounted for as a service contract.

When accounting for a SaaS arrangement as a service contract, fees paid by the Group are spread over the period to which they relate. Implementation costs associated with configuration and customisation of the software are prepaid over the contractual period where they relate to configuration or customisation services performed by the software supplier (or its agent) and where the services received are not distinct from the right to receive access to the supplier's software.

All other costs associated with implementation, including internal time and resources, are expensed to the Income Statement as incurred.

Freehold property and equipment

Freehold property and equipment are stated at cost less accumulated depreciation and any provisions for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation on assets commences when they are ready for their intended use and is provided at rates calculated to write down the assets to their estimated residual values over the course of their anticipated useful lives, on the following bases:

Freehold buildings

- 2% per annum, straight line

Equipment, fixtures and fittings and motor vehicles

Refurbishment expenditure:

- 6.67% to 10% per annum, straight line

Equipment, fixtures and fittings:

- 10% per annum, straight line

Motor vehicles:

- 20% per annum, straight line

Computer equipment:

- 20% to 33% per annum, straight line

Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount of the asset and are included in the Income Statement in the period in which they arise.

Leasehold property

Leased property and equipment is accounted for in accordance with IFRS 16, Leases. The standard requires the lessee to recognise a right of use asset and a corresponding liability on the Balance Sheet for all leases, with the exception of short-term leases or leases of a low value asset. The liability is initially measured by discounting variable and fixed lease payments, as well as other payments inherent to the lease, to its present value. Where possible, the discount rate used is the rate implicit in the lease. However, where this cannot be readily determined, the Group's incremental borrowing rate is used. The incremental borrowing rate is set using the Society's base funding cost and the costs of any asset buffers required. The right of use asset is initially measured at cost, including the amount of the initial measurement of the lease liability, any lease payments made before the commencement date of the lease, less any incentives received, any initial direct costs and any restoration costs. Where a change to lease payments is agreed, the lease liability is re-measured, and a corresponding adjustment is made to the right of use asset.

Leasehold buildings are depreciated on the following basis:

Leasehold with terms greater than 50 years:

- 2% per annum, straight line

Other leasehold buildings:

- over the term of the lease

Interest charged on the lease liability is calculated based on the rate used as the discount factor to calculate the lease liability and is included in interest payable and similar charges.

Impairments of property and equipment

At each Balance Sheet date, the Group reviews the carrying value of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable value of the asset is estimated to determine the extent of the impairment loss (if any). If the recoverable value of an asset is estimated to be less than the current carrying value, the carrying value of the asset is reduced to its recoverable value. Where an impairment loss subsequently reverses, the carrying value of the asset is increased to the revised estimate of its recoverable value.

Taxation

Corporation tax is charged on profits adjusted for tax purposes. Deferred tax on temporary differences arising between the tax bases and carrying amounts of assets and liabilities is provided in full, using the liability method. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Balance Sheet date and that are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Pension scheme costs

The Society operates a defined contribution scheme on behalf of Executive Directors and colleagues. For the defined contribution scheme, contributions are charged to the Income Statements, as they become payable, in accordance with the rules of the scheme.

The Society historically operated a defined benefit scheme; this was closed to future accrual from 30 November 2010 and was funded by contributions partly from colleagues and partly from the Society at rates determined by an independent actuary. These contributions are invested separately from the Group's assets.

Under IAS 19, Employee Benefits, the defined benefit scheme assets are measured at bid value at each Balance Sheet date, and the obligations are measured by an independent actuary using the projected unit valuation method, discounted using a high quality corporate bond rate.

The Group does not recognise IAS 19 pensions surpluses on its Balance Sheet as the Society does not have an unconditional contractual right to benefit economically from the surplus. IAS 19 pension deficits are recognised immediately with relevant actuarial re-measurements recognised in the Statement of Comprehensive Income. IAS 19 service costs are recognised in the Income Statement.

Provisions

A provision is recognised when there is a present obligation as a result of a past event, it is probable that the obligation will be settled, and it can be reliably estimated. The amount recognised as a provision is the best estimate of the net present value of the consideration required to settle the obligation, taking into account the risks and uncertainties surrounding the obligation.

Contingent liabilities have not been recognised. A contingent liability is a possible obligation which is not probable or not reliably measurable.

Contingent assets have not been recognised. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events.

Segment information

The operating segments disclosed in note 9 are those used in the Group's management and internal reporting structures (for the chief operating decision maker) in accordance with IFRS 8, Operating Segments. No segment information is presented on geographical lines, because substantially all of the Group's activities are in the United Kingdom.

Equity instruments

Equity instruments issued by the Group are Additional Tier 1 (AT1) instruments. Financial instruments are classified as equity instruments where the contractual arrangements with the instrument holder do not result in the Group having a present obligation to deliver cash, another financial asset or a variable number of equity instruments. The proceeds of the issuance of AT1 instruments are included in reserves in 'other equity instruments', with the costs of issuance included in the general reserves. Distributions to holders of equity instruments are recognised when they become irrevocable and are deducted from the general reserve.

Accounting developments

At the date of approval of these financial statements there are no amendments to International Financial Reporting Standards relevant to these Annual Accounts that are mandatory for the first time for the financial year beginning 1 January 2025.

Developments and standards issued but not yet effective

There are a number of new or amended standards which become effective in 2026 and beyond. Early adoption is permitted, but the Group does not intend to adopt the standards before their mandatory date. The new and updated accounting standards listed below are not expected to have a significant impact on the Annual Accounts.

- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments are effective from 1 January 2026.
- IFRS 19 Subsidiaries without Public Accountability: Disclosures, effective from 1 January 2027.

IFRS 18, Presentation and Disclosure in Financial Statements

IFRS 18, Presentation and Disclosure in Financial Statements was issued in April 2024 replacing the existing requirements under IAS 1, Presentation of Financial Statements, and introduces a revised structure and presentation of the financial statements, including:

- The requirement to present three defined categories in the statement of profit or loss: operating, investing, and financing.
- New requirements for disaggregation of information in the notes to improve comparability and transparency.

- Additional disclosures about management-defined performance measures when presented in the financial statements.

IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. The Group has not early adopted the standard.

The Group is currently assessing the impact of IFRS 18 on its financial reporting and expects that the adoption of IFRS 18 will result in changes to the presentation of its Income Statement and related disclosures but does not anticipate the standard to have an impact on the financial position or performance of the Group or any change to the underlying recognition or measurement criteria currently applied to the Group Financial Statements.

Critical accounting estimates and judgements in applying accounting policies

The Group has to make judgements in applying its accounting policies, which affect the amounts recognised in the Annual Accounts. These judgements are based on management's best knowledge, but the eventual outcome may differ from them. In addition, estimates and assumptions are made that could affect the reported amounts of assets and liabilities within the following year. The most significant areas where judgements and estimates are made are as follows.

Estimates

Fair value of the equity release mortgage assets

The valuation of the Group's equity release mortgage assets depends on a range of assumptions, including the most appropriate discount rate and property price growth rates and volatility. Key assumptions and sensitivity analysis are outlined in note 32.

Impairment of financial assets

The impairment of mortgage assets is determined by a weighted average of the expected credit losses of four different possible economic scenarios. Each scenario is based on a range of assumptions, including property price growth rates and unemployment rates. The scenario weightings are based on management's current expectation about the future probability of each economic scenario. Further detail and sensitivity analysis are provided in notes 38 to 40.

Defined benefit pension scheme

In estimating the value of the pension scheme surplus or deficit, management rely on a range of assumptions including the most appropriate discount rate and mortality rates, inflation, take up of the Pension Increase Exchange offer and future salary increases. The Board receives independent external advice from actuarial consultants in arriving at the scheme assumptions, which are outlined together with sensitivity analysis in note 19.

In addition, the Society is aware of the 2023 ruling in the Virgin Media vs NTL Pension Trustee legal case and subsequent Court of Appeal ruling published in July 2024. The UK government announced on 5 June 2025 that legislation will be introduced enabling retrospective actuarial certification to validate historic amendments. While this legislative solution is anticipated to remove the requirement for provisions related to void benefit changes, neither the timing nor precise scope are confirmed. Until enacted, there remains uncertainty as to whether the judgements will result in additional liabilities for UK pension schemes and the Society cannot be certain of the potential implications (if any) and therefore a sufficiently reliable estimate of any effect on the obligation cannot be made, however it is possible that the defined benefit pension obligation could be increased. Further detail is found in note 19.

Judgements

Fair value of derivatives and financial assets

Fair values of derivatives and financial assets are determined in line with the three level valuation hierarchy as defined within IFRS 13, Fair Value Measurement. Judgement can be required to determine the classification of valuations into the different levels. Further detail is provided in note 32.

Impairment of financial assets

The modelling of impairment of mortgage assets includes a range of management judgements, including the Society's definition of default, significant increase in credit risk and the use of post model adjustments. Further detail is provided in note 38.

Securitised assets

Management has judged in relation to securitised assets that the transfer of the beneficial interest in the loans transferred from the Society to the Group's SPV entities does not result in a transfer of the risks and rewards in relation to these loans. Therefore, the transfer of the beneficial interest is not recognised as a sale by the Society, and the loans continue to be recognised within the Society's Statement of Financial Position, with the proceeds received from the transfer accounted for as a deemed loan repayable to the SPV. Further detail is provided in note 14.

Impact of climate change

The Group has considered the impact of climate change on the valuation of the assets and liabilities held on its Balance Sheet and assessed that its impact is immaterial to the current balance sheet position when considering the potential physical and transitional risks to the Group's operations. A post model adjustment in relation to the impact of climate change on expected credit loss on loans and advances to customers has been recognised. Further detail is provided in note 38.

2. Interest receivable and similar income

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
On financial assets held at amortised cost:				
On loans fully secured on residential property	249.2	220.5	249.1	220.4
On other loans and advances:				
To subsidiary undertakings	-	-	2.4	2.3
Other	0.4	1.4	18.0	9.0
On other liquid assets	18.0	32.3	16.9	31.5
On financial assets held at Fair Value Through Other Comprehensive Income:				
On debt securities	33.3	31.5	33.3	31.5
On financial assets held at Fair Value Through Profit or Loss:				
Interest recognised in respect of mortgages held at fair value	11.2	11.4	11.2	11.4
Net income on derivatives hedging assets	23.0	38.6	17.9	30.7
	335.1	335.7	348.8	336.8

Interest receivable and other income includes £13.6m (2024: £5.3m) from fixed income securities. Other than £1.5m (2024: £2.0m) generated on loans originated in Spain and £2.4m (2024: £1.6m) interest income on supranational bonds, all interest receivable and other similar income has been generated within the United Kingdom.

3. Interest payable and similar charges

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
On financial liabilities held at amortised cost:				
On amounts due to Members	201.8	205.0	201.8	205.0
On subscribed capital	3.4	3.4	3.4	3.4
On subordinated liabilities	2.6	1.3	2.6	1.3
On deposits and other borrowings	24.7	32.5	36.9	31.7
On finance leases	0.4	0.3	0.4	0.3
	232.9	242.5	245.1	241.7
On financial liabilities held at Fair Value Through Profit or Loss:				
Net expense on derivatives hedging liabilities	0.8	1.3	0.8	1.3
	233.7	243.8	245.9	243.0

4. Other income and charges

	Note	Group		Society	
		2025	2024	2025	2024
		£m	£m	£m	£m
Other income					
Savings management income		51.0	47.3	-	-
Regulated advice services		8.7	6.8	-	-
Fee and commission income		0.9	1.8	0.9	1.8
Income recognised under IFRS 15	5	60.6	55.9	0.9	1.8
Other operating income		0.1	0.2	17.4	12.4
		60.7	56.1	18.3	14.2

Other income includes income from contracts with customers of £60.6m (2024: £55.9m) which is recognised under IFRS 15. Further detail is included in note 5.

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Other charges				
Fee and commission expense	0.6	0.2	0.5	0.2

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Dividend income				
Received from equity investments	1.1	0.2	-	-
Received from subsidiary undertakings	-	-	1.4	1.6
	1.1	0.2	1.4	1.6

5. Revenue from contracts with customers

1. Disaggregation of revenue from contracts with customers

The Group and Society derive revenue from the transfer of services at a point in time and over time in the following business segments and service areas, excluding intragroup income.

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Solutions Business				
Savings management services recognised over time	48.9	45.6	-	-
Savings management project and change services recognised over time	1.6	1.5	-	-
IT services recognised over time	0.5	0.2	-	-
	51.0	47.3	-	-
Member Business				
Regulated advice services recognised at a point in time	3.4	2.6	-	-
Regulated advice services recognised over time	5.3	4.2	-	-
Third party services recognised at a point in time	0.8	1.7	0.8	1.7
Other services recognised over time	0.1	0.1	0.1	0.1
	9.6	8.6	0.9	1.8
Total revenue from contracts with customers	60.6	55.9	0.9	1.8

In accordance with IFRS 8 the Group reports the following segments: Member business and Solutions business. The 'Solutions' business segment (also referred to as Newcastle Strategic Solutions) provides business to business services through people, processes and technology; for more detail on the reportable segments, see note 9. When the Group prepares financial information for management, it disaggregates revenue by segment and service type.

Details of intercompany income for the Society are included in note 30.

2. Unsatisfied long-term service contracts

The following table shows partially unsatisfied performance obligations resulting from fixed-price long-term contracts at 31 December 2025 where the contract ends after the balance sheet date:

	Group		Solutions	
	2025	2024	2025	2024
	£m	£m	£m	£m
Aggregate amount of transaction price allocated to long-term savings management projects	4.9	2.6	5.9	5.0
Aggregate amount of transaction price allocated to long-term IT services	0.1	0.7	0.1	0.7
	5.0	3.3	6.0	5.7

In relation to savings management contracts, the Group expects to recognise approximately £1.7m of the unearned amount in 2026, and £3.2m thereafter. In relation to IT contracts, the Group expects to recognise approximately £0.1m of the unearned amount in 2026.

3. Assets and liabilities related to contracts with customers

No contract assets or liabilities have been recognised by the Group (2024: £nil).

6. Administrative expenses

	Note	Group		Society	
		2025	2024	2025	2024
		£m	£m	£m	£m
Staff costs:					
Wages and salaries		67.9	63.2	33.2	44.3
Social security costs		8.8	6.9	4.3	3.5
Pension costs for defined contribution scheme		9.7	8.9	4.7	4.6
Short term leases for land and buildings:					
Payable to third parties	17	-	0.1	-	0.1
Other administrative expenses		37.3	29.4	41.0	23.0
IT transformation costs		0.6	2.6	0.6	2.6
		124.3	111.1	83.8	78.1

During the year the Group reviewed its allocation of internal staff costs, resulting in a reallocation of staff costs from the Society to Solutions, as well as a reallocation between staff costs and other administrative expenses within the Society. Had the same approach been applied in the prior period 2024, staff costs for the Society as shown in the table above would have decreased by £12.8m with a corresponding increase in other administrative expenses within the Society only, and staff costs for the Group would have decreased by £1.6m with a corresponding increase in other administrative expenses. There is no impact on total administrative expenses of the Group or profit for the period.

Directors' emoluments are disclosed in the Remuneration Committee Report. Total Directors' emoluments for 2025 amount to £2.4m (2024: £2.3m).

The Group's key management personnel are the Group's Material Risk Takers, the compensation of which is included within the Remuneration Committee Report and totals £6.0m (2024: £5.6m).

During the year the Group and Society obtained the following services from the Society's External Auditor, and these are included in other administrative expenses.

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Fees payable to the Society's auditors for the audit of Society and consolidated financial statements	0.8	0.8	0.8	0.8
Fees payable for the audit of subsidiaries	0.1	0.1	-	-
Fees payable for other audit related assurance services	0.1	0.1	0.1	0.1
Fees payable for non-audit services	-	0.1	-	0.1
	1.0	1.1	0.9	1.0

Other audit related assurance services primarily consist of the half year review, interim profit verifications and client money assurance engagements.

The fees payable to the Society's External Auditor above are presented excluding VAT.

7. Employee numbers

The monthly average number of persons employed, including Executive Directors, during the year was:

	Group		Society	
	2025	2024	2025	2024
Full time	1,508	1,468	604	604
Part time	304	305	164	163
	1,812	1,773	768	767
Head Office	1,569	1,539	556	562
Branch	243	234	212	205
	1,812	1,773	768	767

8. Tax expenses

	Note	Group		Society	
		2025	2024	2025	2024
		£m	£m	£m	£m
Current tax					
Current year		1.5	1.9	2.7	0.8
Adjustments in respect of previous years		(0.5)	(0.9)	0.5	(0.7)
Total current tax		1.0	1.0	3.2	0.1
Deferred tax					
Current year		3.0	(2.0)	3.0	(2.3)
Adjustments in respect of prior years		0.6	0.2	0.8	(0.1)
Total deferred tax	18	3.6	(1.8)	3.8	(2.4)
Total taxation expense / (credit) in Income Statements		4.6	(0.8)	7.0	(2.3)

Analysis of taxation for the year

The tax on the Group and Society profit before taxation differs from the theoretical amount that would arise using the tax rate applicable to profits as follows:

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Profit for the year before taxation	22.6	15.7	27.6	15.7
Profit before taxation at the standard rate of corporation tax in the UK of 25.00% (2024: 25.00%)	5.7	3.9	6.9	3.9
Effects of:				
Non-taxable dividend income received	(0.3)	-	(0.4)	(0.4)
Expenses not deductible for tax	0.8	0.7	0.8	0.1
Distributions to Additional Tier 1 capital holders allowable deductions	(1.4)	-	(1.4)	-
Transfer pricing adjustment	-	-	(0.2)	(0.7)
Timing differences	(0.2)	-	-	-
Recognition of deferred tax asset*	-	(4.0)	-	(4.0)
Non-taxable income	(0.1)	(0.7)	-	(0.4)
Adjustments in respect of prior years	0.1	(0.7)	1.3	(0.8)
	4.6	(0.8)	7.0	(2.3)

*Section 4(4) of The Mutual Societies (Transfers of Business) (Tax) Regulations 2009, which governs the tax treatment of building society mergers was updated during 2024. The change allowed for post-April 2017 tax losses to be available for set off within merged building societies and resulted in post-April 2017 tax losses within Manchester Building Society being able to be utilised within the Newcastle Building Society Group. This resulted in a recognition of £4.0m of deferred tax assets in 2024.

Factors affecting future tax charges

The Society has brought forward trading losses for tax purposes which are expected to affect future taxable profits. See further details in note 18.

9. Segment information

The chief operating decision maker has been identified as the Board of Directors ("the Board"). The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Following the management approach of IFRS 8, Operating Segments are reported in accordance with the internal reporting provided to the Board. The Operating Segments used by the Group meet the definition of a reportable segment under IFRS 8.

The 'Member business' segment provides mortgage, savings, investment and insurance products to Members and customers. The 'Solutions business' segment (also referred to as Newcastle Strategic Solutions) provides business to business services through people, processes and technology. The Board assesses performance based on profit before tax after the allocation of all central costs. Operating profit before impairments and provisions is also assessed as this provides information on underlying business performance.

Income and directly attributable costs are allocated to each segment and support costs are apportioned, based on direct salary costs and detailed allocations by budget holders.

Year to 31 December 2025

	Member Business	Solutions Business	Consolidation adjustments	Total
	£m	£m	£m	£m
Net interest income / (expense)	103.8	(2.4)	-	101.4
Other income and charges	26.6	71.3	(36.7)	61.2
Fair value gains less losses on financial instruments and hedge accounting	(6.5)	-	-	(6.5)
Administrative expenses	(92.3)	(68.7)	36.7	(124.3)
Depreciation and amortisation	(3.0)	(5.4)	-	(8.4)
Operating profit / (loss) before impairments and provisions	28.6	(5.2)	-	23.4
Impairment reversals on loans and advances to customers	0.7	-	-	0.7
Provisions for liabilities and charges	(0.9)	(0.4)	-	(1.3)
Profit / (loss) on disposal of non current assets	0.4	(0.6)	-	(0.2)
Profit / (loss) before taxation	28.8	(6.2)	-	22.6
Taxation expense				(4.6)
Profit after taxation for the financial period				18.0

Amounts relating to consolidation adjustments include the elimination of intra-group transactions such as intercompany fees.

Year to 31 December 2024

	Member Business Restated	Solutions Business Restated	Consolidation adjustments Restated	Total Restated
	£m	£m	£m	£m
Net interest income / (expense)	94.0	(2.1)	-	91.9
Other income and charges	20.5	65.1	(29.5)	56.1
Fair value gains less losses on financial instruments and hedge accounting	4.9	-	-	4.9
Administrative expenses	(83.2)	(57.4)	29.5	(111.1)
Depreciation and amortisation	(2.6)	(5.0)	-	(7.6)
Operating profit before impairments and provisions	33.6	0.6	-	34.2
Impairment reversals on loans and advances to customers	2.5	-	-	2.5
Provisions for liabilities and charges	(20.7)	(0.3)	-	(21.0)
Profit before taxation	15.4	0.3	-	15.7
Taxation credit				0.8
Profit after taxation for the financial period				16.5

During the year the Group revised its segmental reporting structure to present the Member and Solutions segments excluding intra-group eliminations and consolidation adjustments to better reflect the performance of the individual segments, consistent with management reporting. Comparative information for 2024 has been restated on a consistent basis to reflect this revised presentation. The restatement has no impact on the Group's consolidated results or financial position.

10. Loans and advances to credit institutions

Repayable from the date of the Balance Sheet in the ordinary course of business as follows:

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
On demand	53.2	21.6	4.5	4.9
In not more than 3 months	93.0	80.2	93.0	80.2
	146.2	101.8	97.5	85.1

There are no provisions held against loans and advances to credit institutions (2024: £nil). Included within loans and advances to credit institutions is collateral of £93.3m (2024: £80.6m).

11. Debt securities

	Group & Society	
	2025	2024
	£m	£m
Movement in transferable debt securities		
At 1 January	602.3	615.0
Additions	432.2	475.6
Disposals	(5.0)	(42.2)
Maturities	(177.0)	(443.2)
Movement in fair value	6.7	(2.9)
At 31 December	859.2	602.3
Transferable debt securities		
Issued by UK Government – listed	325.3	252.6
Issued by other borrowers – listed	533.9	349.7
	859.2	602.3

Securities issued by other borrowers are AAA rated holdings of residential mortgage-backed securities, covered bonds and supranational bonds.

The Directors consider that the primary purpose of holding securities is to comply with prudential requirements. All transferrable debt securities are held with the intention of use on a continuing basis in the Group's activities. They are designated by management on initial recognition as assets held at fair value with changes recognised in other comprehensive income.

There are no provisions held against debt securities (2024: £nil).

In addition to the securities above, the Society has retained debt security notes issued by Tyne Funding No.1 PLC and Hadrian Funding 2025-1 PLC, entities controlled by the Group. These are presented net of the deemed loans from the issuing Special Purpose Vehicles. See note 14 for details on the deemed loan.

12. Loans and advances to customers

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Loans fully secured on residential property	5,687.5	5,259.3	5,686.2	5,257.7
Loans fully secured on land	21.0	26.7	21.0	26.7
Other loans	0.9	1.0	0.9	1.1
Gross loans and advances	5,709.4	5,287.0	5,708.1	5,285.5
Allowance for losses on loans and advances	(6.3)	(6.6)	(6.4)	(6.6)
Micro fair value hedge adjustments	2.9	2.2	2.9	2.2
Effective interest rate adjustments	7.7	6.5	7.7	6.5
Fair value adjustments	0.5	0.2	0.6	0.2
	5,714.2	5,289.3	5,712.9	5,287.8

At 31 December 2025 the Group had €29.3m of loans denominated in Euros (2024: €30.1m) with a carrying value of £25.5m (2024: £24.9m).

Effective interest rate adjustments include a £0.9m liability relating to the fair value discount applied to acquired credit impaired books (2024: £1.5m).

Impairment provisions for loans and advances to customers

Group	Loans fully secured on residential property	Loans fully secured on land	Total
	£m	£m	£m
Balance at 1 January 2025	4.3	2.3	6.6
Credit for the year	-	(0.7)	(0.7)
Utilised during the year	0.4	-	0.4
Balance at 31 December 2025	4.7	1.6	6.3
Group	Loans fully secured on residential property	Loans fully secured on land	Total
	£m	£m	£m
Balance at 1 January 2024	6.2	1.4	7.6
(Credit) / charge for the year	(1.9)	0.9	(1.0)
Balance at 31 December 2024	4.3	2.3	6.6

Society	Loans fully secured on residential property	Loans fully secured on land	Total
	£m	£m	£m
Balance at 1 January 2025	4.3	2.3	6.6
Charge / (credit) for the year	0.1	(0.7)	(0.6)
Utilised during the year	0.4	-	0.4
Balance at 31 December 2025	4.8	1.6	6.4

Society	Loans fully secured on residential property	Loans fully secured on land	Total
	£m	£m	£m
Balance at 1 January 2024	6.0	1.4	7.4
(Credit) / charge for the year	(1.7)	0.9	(0.8)
Balance at 31 December 2024	4.3	2.3	6.6

Equity release mortgage assets denominated in £

Included in loans and advances to customers secured on residential property is a balance of £137.4m (2024: £146.7m) relating to equity release mortgages secured on properties in the UK.

Equity release mortgage assets denominated in €

Included in loans and advances to customers secured on residential property is a balance of €25.5m (2024: €24.9m) relating to equity release mortgages secured on properties in Spain. This book was acquired as part of the transfer of engagements from Manchester Building Society.

Equity release mortgages are held at fair value through profit or loss. Details on the balances and valuation of the equity release portfolio are included in notes 13 and 32.

Loans and advances to customers – securitisation

In 2021, the Society transferred beneficial ownership of a pool of mortgages of £282.7m to Tyne Funding No.1 PLC and during the year, transferred beneficial ownership of a pool of mortgages of £711.4m to Hadrian Funding 2025–1 PLC, the Group's securitisation vehicles.

The Society continues to be exposed to all risk and rewards of ownership of these mortgages, and therefore the mortgages continue to be recognised on the Society's Balance Sheet. See note 14 for details.

Loans and advances to customers – write offs

There were £0.4m loans and advances to customers written off during the period (2024: £nil).

Further details of the Group's provisioning methodology is given in note 38 and detailed analysis of expected credit losses is provided in note 39.

13. Mortgages held at fair value through profit and loss

The Group's equity release mortgage assets are accounted for as fair value through profit or loss. The mortgages were advanced as indeterminate length fixed interest rate contracts, to be repaid in full at maturity through sale of the mortgaged properties. Most equity release contracts contain a no-negative-equity guarantee; that is, where the value of a mortgaged property at the point of sale falls short of the contractual amount due to the Group, the shortfall is written off. Equity release mortgages are presented at fair value on the Balance Sheet as part of the Group's loans and advances to customers.

	Group and Society					
	2025			2024		
	Gross mortgage balances	Fair value adjustment	Fair value presented on Balance Sheet	Gross mortgage balances	Fair value adjustment	Fair value presented on Balance Sheet
	£m	£m	£m	£m	£m	£m
Denominated in £	137.5	(0.1)	137.4	143.8	2.9	146.7
Denominated in €	42.0	(16.5)	25.5	40.7	(15.8)	24.9
Total	179.5	(16.6)	162.9	184.5	(12.9)	171.6

The gross mortgage balances above reflect the Group's maximum pre collateral exposure to credit risk at 31 December. The Group typically expects its equity release mortgages to be repaid through sale of the underlying properties. Property collateral of £289.5m (2024: £323.6m) is held against the Group's equity release exposures denominated in Sterling. By their nature, equity release mortgages are not considered to hold a pre-determined maturity date.

At 31 December 2025 the Group had €48.1m (2024: €49.2m) of equity release mortgages denominated in Euros, against which €53.5m (2024: €54.2m) collateral is held.

The fair value is the present value of the forecast portfolio cash flows less the value of the no-negative equity guarantee, which is calculated using an option pricing model. See note 32 for details of the movement in the fair value adjustment.

Against equity release assets, the following income and charges have been recognised through the Income Statement:

	Group and Society	
	2025	2024
	£m	£m
Interest income	11.2	11.4
Fair value change	(1.3)	(5.8)

The Group recognises interest income on a per asset basis using the effective interest rate method. The gross mortgage balances, as presented above, reflect the amortised cost of the Group's equity release mortgages. Changes in the fair value are included in the Income Statement within fair value gains less losses on financial instruments, further details are given in note 32.

For fixed reversion contracts, the effective interest rate is considered to be the rate implicit in the mortgage contract. The balances recognised in respect of fixed reversion mortgages included in the total above are as follows:

	Group and Society	
	2025	2024
	£m	£m
Reversion value	4.6	9.2
Book value	6.2	7.3
Interest income	0.3	0.5

The Group's equity release books are closed to new entrants with limited further advances available to existing customers at the discretion of the Group.

14. Deemed loan

In 2021, the Society securitised a pool of mortgage loans with a book value of £282.7m, by transferring their beneficial ownership at net book value to Tyne Funding No.1 PLC. Tyne Funding No. 1 PLC issued debt securities (loan notes) with a total value of £282.7m secured on the transferred mortgage loans.

During the year, the Society securitised a pool of mortgages with a book value of £711.4m, by transferring their beneficial ownership at net book value to Hadrian Funding 2025-1 PLC. Hadrian Funding 2025-1 PLC issued loan notes with a total value of £711.4m secured on the transferred mortgage loans.

All loan notes issued by Tyne Funding No.1 PLC (£282.7m) were purchased and retained by the Society and £361.4m of loan notes issued by Hadrian Funding 2025-1 PLC have been purchased and retained by the Society. The retained loan notes are available as security for repurchase agreements with the Bank of England or third parties. Since the securitised mortgage loans do not meet the criteria for de-recognition from the Society's Balance Sheet, they continue to be held on the Society's Balance Sheet. The consideration received from Tyne Funding No.1 PLC and Hadrian Funding 2025-1 PLC is accounted for as a deemed loan. As permissible under IFRS 9, the Society has elected to present the deemed loan net of the loan notes issued, as the loan notes constitute essentially the same asset as the transferred mortgages and presenting them gross results effectively in presenting the same assets twice on the Society's Balance Sheet. The carrying value of the notes reduces as coupons are paid on a quarterly basis whilst the consideration received for transfer of mortgages is repaid on a daily basis.

The deemed loan asset presented on the Balance Sheet consists of the following items:

	Society	
	2025	2024
	£m	£m
Deemed loan asset in respect of Tyne Funding		
Retained loan notes	152.6	190.2
Consideration received for transfer of mortgages	(146.4)	(183.6)
Net value of derivatives integral to transaction	(0.5)	8.1
	<u>5.7</u>	<u>14.7</u>

The deemed loan liability presented on the Balance Sheet consists of the following items:

	Society	
	2025	2024
	£m	£m
Deemed loan liability in respect of Hadrian Funding		
Retained loan notes	341.1	-
Consideration received for transfer of mortgages	(644.8)	-
Net value of derivatives integral to transaction	(0.3)	-
Subordinated loan to the SPV integral to the transaction	9.8	-
	<u>(294.2)</u>	<u>-</u>

At the Balance Sheet date, the securitised mortgage loans transferred to Tyne Funding No.1 PLC had a book value of £146.4m (2024: £183.6m) and the securitised mortgage loans transferred to Hadrian Funding 2025-1 PLC had a book value of £644.8m.

Class A notes issued by Tyne Funding No. 1 PLC have a coupon rate of SONIA + 58bps and a call date of 25 November 2026; class A notes issued by Hadrian Funding 2025-1 PLC have a coupon rate of SONIA + 50bps and a call date of 20 May 2030.

In the Group Accounts, any derivatives associated with the transaction are presented gross in assets and liabilities within derivative financial instruments.

15. Investments

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Equities	1.4	1.6	0.2	0.1
Investment in subsidiary undertakings	-	-	47.2	42.6
	<u>1.4</u>	<u>1.6</u>	<u>47.4</u>	<u>42.7</u>

Investments in equities

Equity investments for the Group relate to Newcastle Financial Advisers' holding in units in Openwork LLP, a network of independent financial advisers, under the licence of which it operates. Equity investments are held at fair value through profit or loss.

Investments in subsidiaries

Society	Shares	Loans	Total
	£m	£m	£m
Cost			
At 1 January 2025	5.9	36.7	42.6
Additions	-	4.6	4.6
Capital contribution	10.0	(10.0)	-
Balance at 31 December 2025	<u>15.9</u>	<u>31.3</u>	<u>47.2</u>
Provisions			
At 1 January 2025 and 31 December 2025	-	-	-
Net book amount at 31 December 2025	<u>15.9</u>	<u>31.3</u>	<u>47.2</u>
Society	Shares	Loans	Total
	£m	£m	£m
Cost			
At 1 January 2024	5.9	35.7	41.6
Additions	-	1.3	1.3
Repayments received	-	(0.3)	(0.3)
Balance at 31 December 2024	<u>5.9</u>	<u>36.7</u>	<u>42.6</u>
Provisions			
At 1 January 2024 and 31 December 2024	-	-	-
Net book amount at 31 December 2024	<u>5.9</u>	<u>36.7</u>	<u>42.6</u>

During the year the Society waived £10m of loans due from its subsidiary undertakings, reducing the loan amounts in the table above. The amount waived is recognised as a capital contribution from the Society to the subsidiary undertaking and is recognised in the above tables as investment in subsidiary undertaking; shares.

The Society directly holds 100% of the issued ordinary share capital of all its subsidiary undertakings.

The Directors believe that the carrying value of the investments in subsidiary undertakings is supported by their underlying net assets.

Name of principal subsidiary undertakings	Principal activity
Newcastle Financial Advisers Limited	Provision of financial services
Newcastle Mortgage Loans (Jersey) Limited	Mortgage lending
Newcastle Strategic Solutions Limited	Provision of specialised savings management and IT services
MBS (Mortgages) Limited	Mortgage lending

Newcastle Mortgage Loans (Jersey) Limited is incorporated and operates in Jersey. All of the other subsidiary undertakings are incorporated in England and Wales and operate in the United Kingdom. The registered address for these entities is: 1 Cobalt Park Way, Wallsend, NE28 9EJ.

MBS (Mortgages) Limited and Newcastle Financial Advisers Limited are entitled to audit exemption under section 479a of the Companies Act 2006 and no Members have required them to obtain an audit of their accounts.

Further information on transactions between Group entities can be found in Note 30 Related Parties.

During the year, the Society received dividends from subsidiary undertakings totalling £1.4m (2024: £1.6m) which were recognised in the Income Statement.

Other controlled entities

The following entity is deemed to be controlled by the Society. Although the Society does not have a controlling shareholding, it has the right of variable returns from the entity and is able to influence these returns. In substance, the entity is therefore no different than if it was wholly owned by the Society. As a result, it is consolidated into the Group accounts. The carrying value of the entity in the Society's Balance Sheet is £nil.

Tyne Funding No.1 PLC

Tyne Funding No.1 PLC was incorporated on 30 September 2021. It is a Special Purpose Vehicle to facilitate the securitisation of a mortgage pool previously owned by the Society, see note 14 for details. The entity's financial period end is 31 December. Its registered office is: 1 Bartholomew Lane, London, EC2N 2AX.

Hadrian Funding 2025-1 PLC

Hadrian Funding 2025-1 PLC was incorporated on 30 January 2025. It is a Special Purpose Vehicle to facilitate the securitisation of a mortgage pool previously owned by the Society, see note 14 for details. The entity's financial period end is 31 December. Its registered office is: 1 Bartholomew Lane, London, EC2N 2AX.

16. Intangible assets

Group

	Purchased software	Internally developed software: work in progress	Internally developed software: in use	Acquired customer lists	Total
Cost	£m	£m	£m	£m	£m
At 1 January 2025	11.5	2.3	14.1	0.7	28.6
Additions	0.1	2.4	-	0.2	2.7
Transfers	-	(3.5)	3.5	-	-
Disposals	(0.8)	-	(1.1)	-	(1.9)
At 31 December 2025	10.8	1.2	16.5	0.9	29.4
Accumulated depreciation					
At 1 January 2025	8.7	-	5.6	0.5	14.8
Charge for the year	1.0	-	3.1	0.1	4.2
Disposals	(0.6)	-	(0.7)	-	(1.3)
At 31 December 2025	9.1	-	8.0	0.6	17.7
Net book amount 31 December 2025	1.7	1.2	8.5	0.3	11.7

Group

	Purchased software	Internally developed software: work in progress	Internally developed software: in use	Acquired customer lists	Total
Cost	£m	£m	£m	£m	£m
At 1 January 2024	12.7	3.1	9.5	0.4	25.7
Additions	0.5	3.8	-	0.3	4.6
Transfers	-	(4.6)	4.6	-	-
Disposals	(1.7)	-	-	-	(1.7)
At 31 December 2024	11.5	2.3	14.1	0.7	28.6
Accumulated depreciation					
At 1 January 2024	9.3	-	3.2	0.4	12.9
Charge for the year	1.1	-	2.4	0.1	3.6
Disposals	(1.7)	-	-	-	(1.7)
At 31 December 2024	8.7	-	5.6	0.5	14.8
Net book amount 31 December 2024	2.8	2.3	8.5	0.2	13.8

Society

	Purchased software	Internally developed software: work in progress	Internally development software: in use	Acquired customer lists	Total
Cost	£m	£m	£m	£m	£m
At 1 January 2025	2.8	-	-	-	2.8
Additions	3.1	-	-	-	3.1
Transfers	-	-	-	-	-
Disposals	(0.2)	-	-	-	(0.2)
At 31 December 2025	5.7	-	-	-	5.7
Accumulated depreciation					
At 1 January 2025	1.3	-	-	-	1.3
Charge for the year	0.5	-	-	-	0.5
Disposals	(0.2)	-	-	-	(0.2)
At 31 December 2025	1.6	-	-	-	1.6
Net book amount 31 December 2025	4.1	-	-	-	4.1

Society

	Purchased software	Internally developed software: work in progress	Internally development software: in use	Acquired customer lists	Total
Cost	£m	£m	£m	£m	£m
At 1 January 2024	4.0	-	-	-	4.0
Additions	0.5	-	-	-	0.5
Disposals	(1.7)	-	-	-	(1.7)
At 31 December 2024	2.8	-	-	-	2.8
Accumulated depreciation					
At 1 January 2024	2.7	-	-	-	2.7
Charge for the year	0.3	-	-	-	0.3
Disposals	(1.7)	-	-	-	(1.7)
At 31 December 2024	1.3	-	-	-	1.3
Net book amount 31 December 2024	1.5	-	-	-	1.5

Purchased software

Purchased software relates to IT systems purchased from external providers, with a useful economic life longer than one year.

Internally developed software

Internally developed software relates to capitalised staff costs for developing new IT systems or enhancing the functionality of existing ones. The software is either used by the Group or licenses are sold to third parties. Internally developed software assets are classified as work in progress until the software is ready to use. Once it is ready to use, it is reclassified as internally developed software in use and amortised over its useful economic life.

Acquired customer lists

Acquired customer lists relate to customer lists acquired by Newcastle Financial Advisers. During the year, the customer list of Orchard Financial Consulting Limited was acquired and integrated into Newcastle Financial Advisers. In 2024, the customer list of Keith Dyson Financial Consulting was acquired and integrated into Newcastle Financial Advisers.

17. Property, plant and equipment

Group	Freehold buildings	Leasehold land and buildings	Equipment, fixtures, fittings and motor vehicles	Investment property	Total
Cost	£m	£m	£m	£m	£m
At 1 January 2025	3.1	28.5	26.7	0.7	59.0
Additions	-	0.9	6.5	-	7.4
Lease remeasurement	-	0.1	-	-	0.1
Disposals	(0.6)	(1.7)	(1.1)	(0.7)	(4.1)
At 31 December 2025	2.5	27.8	32.1	-	62.4
Accumulated depreciation					
At 1 January 2025	1.1	7.8	15.5	0.6	25.0
Charge for the year	-	1.6	2.6	-	4.2
Disposals	(0.2)	(1.7)	(0.9)	(0.6)	(3.4)
At 31 December 2025	0.9	7.7	17.2	-	25.8
Net book amount 31 December 2025	1.6	20.1	14.9	-	36.6

Group	Freehold buildings	Leasehold land and buildings	Equipment, fixtures, fittings and motor vehicles	Investment property	Total
Cost	£m	£m	£m	£m	£m
At 1 January 2024	3.1	26.7	29.0	1.1	59.9
Additions	-	2.1	4.7	-	6.8
Lease remeasurement	-	(0.3)	-	-	(0.3)
Disposals	-	-	(7.0)	(0.4)	(7.4)
At 31 December 2024	3.1	28.5	26.7	0.7	59.0
Accumulated depreciation					
At 1 January 2024	1.1	6.3	20.0	1.0	28.4
Charge for the year	-	1.6	2.4	-	4.0
Impairment	-	(0.1)	-	-	(0.1)
Disposals	-	-	(6.9)	(0.4)	(7.3)
At 31 December 2024	1.1	7.8	15.5	0.6	25.0
Net book amount 31 December 2024	2.0	20.7	11.2	0.1	34.0

Society	Freehold buildings	Leasehold land and buildings	Equipment, fixtures, fittings and motor vehicles	Investment property	Total
Cost	£m	£m	£m	£m	£m
At 1 January 2025	3.1	13.6	14.2	0.7	31.6
Additions	-	0.8	5.0	-	5.8
Lease remeasurement	-	0.1	-	-	0.1
Disposals	(0.6)	(1.7)	(0.9)	(0.7)	(3.9)
At 31 December 2025	2.5	12.8	18.3	-	33.6
Accumulated depreciation					
At 1 January 2025	1.2	6.0	8.2	0.6	16.0
Charge for the year	-	1.3	1.1	-	2.4
Disposals	(0.2)	(1.7)	(0.8)	(0.6)	(3.3)
At 31 December 2025	1.0	5.6	8.5	-	15.1
Net book amount 31 December 2025	1.5	7.2	9.8	-	18.5

Society	Freehold buildings	Leasehold land and buildings	Equipment, fixtures, fittings and motor vehicles	Investment property	Total
Cost	£m	£m	£m	£m	£m
At 1 January 2024	3.1	11.8	15.3	1.1	31.3
Additions	-	2.1	2.9	-	5.0
Lease remeasurement	-	(0.3)	-	-	(0.3)
Disposals	-	-	(4.0)	(0.4)	(4.4)
At 31 December 2024	3.1	13.6	14.2	0.7	31.6
Accumulated depreciation					
At 1 January 2024	1.1	4.8	11.4	1.0	18.3
Charge for the year	0.1	1.3	0.8	-	2.2
Impairment	-	(0.1)	-	-	(0.1)
Disposals	-	-	(4.0)	(0.4)	(4.4)
At 31 December 2024	1.2	6.0	8.2	0.6	16.0
Net book amount 31 December 2024	1.9	7.6	6.0	0.1	15.6

Leases

The right of use assets recognised for branch and operational property leases is included in the table above as 'Leasehold land and buildings'. The corresponding lease liability is included in note 23, Other liabilities.

Lease liabilities are expected to amortise as follows:

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Within one year	0.9	1.1	0.9	1.1
In one to five year	2.6	3.0	2.6	3.0
In more than five years	4.2	3.4	4.2	3.4
	7.7	7.5	7.7	7.5

The following charges are included in the Income Statement in respect right of use asset leases:

	Note	Group		Society	
		2025	2024	2025	2024
		£m	£m	£m	£m
Depreciation of right of use assets included in administrative expenses		1.3	1.2	1.3	1.2
Interest charges on lease liabilities	29	0.4	0.3	0.4	0.3
Expenses relating to short term and low value leases included in administrative expenses - payable to third parties	6	-	0.1	-	0.1
		1.7	1.6	1.7	1.6

There is no expense recognised in the Income Statement in respect of variable lease payments that are not included in the measurement of the lease liabilities. The carrying value of lease liabilities is approximately the fair value of the lease liabilities. Total cash payments in respect of leases was £1.5m (2024: £2.3m).

18. Deferred tax

The movement on the deferred tax account is shown below.

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
At 1 January	6.8	5.8	8.4	7.0
Income Statement expense	(3.0)	2.0	(3.0)	2.3
Prior year adjustment	(0.6)	(0.2)	(0.8)	0.1
Credited on items recognised in equity	1.6	(1.1)	1.6	(1.1)
Other	(0.1)	0.3	-	0.1
At 31 December	4.7	6.8	6.2	8.4
Deferred tax assets				
Deferred tax asset to be recovered in less than 12 months	0.7	0.3	1.0	0.3
Deferred tax asset to be recovered in more than 12 months	7.5	8.1	7.1	8.1
	8.2	8.4	8.1	8.4
Deferred tax liabilities				
Deferred tax liabilities to be recovered in less than 12 months	-	(0.2)	-	-
Deferred tax liabilities to be recovered in more than 12 months	(3.5)	(1.4)	(1.9)	-
	(3.5)	(1.6)	(1.9)	-

Group	2024	Charge to Income Statement	Other Comprehensive Income	2025
	£m	£m	£m	£m
Trading losses	5.8	(1.4)	-	4.4
Temporary timing differences	(1.2)	(1.5)	-	(2.7)
Adjustments relating to historic changes in accounting policies	4.2	(0.8)	-	3.4
Equity investments held at fair value through the income statement	(0.3)	-	-	(0.3)
Cash flow hedge accounting held at fair value through other comprehensive income	(1.7)	-	1.6	(0.1)
	6.8	(3.7)	1.6	4.7

Society	2024	Charge to Income Statement	Other Comprehensive Income	2025
	£m	£m	£m	£m
Trading losses	5.8	(1.4)	-	4.4
Temporary timing differences	-	(1.6)	-	(1.6)
Adjustments relating to historic changes in accounting policies	4.3	(0.8)	-	3.5
Cash flow hedge accounting held at fair value through other comprehensive income	(1.7)	-	1.6	(0.1)
	8.4	(3.8)	1.6	6.2

Adjustments relating to historic changes in accounting policies unwind over a period of 10 years from the change in accounting policy. Deferred tax arising from losses acquired through the transfer of engagements from Manchester Building Society are unwound as taxable profits allocatable to Manchester Building Society's trade is generated. Deferred tax adjustments arising on fair value adjustments arising as a result of the transfer of engagements with Manchester Building Society are unwound over a period of six years from the merger date. No changes to the rate of corporation tax have been announced.

In the prior year, Section 4(4) of The Mutual Societies (Transfers of Business) (Tax) Regulations 2009, which governs the tax treatment of building society mergers, was updated and allowed for post-April 2017 tax losses to be available for set off within merged building societies. The amendment took effect from May 2024 and resulted in post-April 2017 tax losses within Manchester Building Society being able to be utilised within the Group. This resulted in a recognition of £4.0m of deferred tax assets in the Society's Balance Sheet in 2024.

Unrecognised deferred tax assets

The following table summarises the unrecognised deferred tax assets.

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Unrecognised deferred tax assets	2.0	2.0	-	-

MBS (Mortgages) Limited, a 100% owned subsidiary of the Society acquired as part of the merger with Manchester Building Society, has deferred tax losses of £8.0m, corresponding to an unrecognised deferred tax asset of £2.0m. The Society has not recognised any deferred tax assets relating to this subsidiary, as it is not currently profitable, and future profits that the tax losses could be offset against are not currently considered sufficiently certain to justify the recognition of the deferred tax in the Consolidated Financial Statements.

19. Retirement Benefit Obligations

Group and Society pension schemes

The Society operates a UK registered trust-based pension scheme, Newcastle Building Society Pension and Assurance Scheme (the Scheme) that provides defined benefits. The Scheme was closed to new entrants in 2000 and closed to the future accrual of benefits in 2010. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier).

The Trustees of the Scheme are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustees of the Scheme are required to act in the best interests of the beneficiaries of the Scheme. There is a requirement that at least one-third of the Trustees are nominated by the members of the Scheme.

There are two categories of pension scheme members:

- Deferred members: current and former employees of the Society who are not in receipt of a Scheme pension; and
- Pensioner members: former employees of the Society who are in receipt of Scheme pension.

The defined benefit obligation is valued by projecting the best estimate of future benefit obligations (allowing for revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the Balance Sheet date. Some benefits receive increases linked to inflation (subject to a cap of no more than 5% pa). The valuation method used is known as the Projected Unit Method.

The approximate overall duration of the Scheme's defined benefit obligation at 31 December 2025 was 11 years (2024: 11 years).

Future funding obligation

The Trustees are required to carry out an actuarial valuation every 3 years. The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustees at 30 June 2022, with the latest valuation at 30 June 2025 being underway. The 2022 valuation revealed the Scheme had no funding deficit relative to the Scheme's statutory funding objective and so no deficit reduction contributions are payable. However, the Society has agreed to pay contributions of £300k per annum in respect of Scheme expenses and levies. The Society does not recognise a surplus for the reasons set out in Note 1.

Assumptions

The results of the actuarial valuation at 30 June 2022 have been updated to 31 December 2025 by a qualified independent actuary. The assumptions used for the IAS 19, Employment Benefits, year end valuation are as follows:

Significant actuarial assumptions	2025	2024
Discount rate	5.55%	5.50%
RPI Inflation	2.85%	3.15%
CPI Inflation: Before 2030 From 2030	RPI less 1.0% pa RPI less 0.2% pa	RPI less 1.0% pa RPI less 0.0% pa
Mortality assumptions		
Mortality (post-retirement)	S3PMA / S3PFA CMI_2024 [1.25%]	S3PMA/S3PFA CMI_2023 [1.25%]
Other actuarial assumptions		
RPI pension increases:		
RPI max 5% pa	2.80%	3.05%
RPI min 3%, max 5% pa	3.45%	-
Pension increases in deferment	2.05%	2.65%
Life expectancies (in years)		
For an individual aged 62		
Male	24.6 years	24.0 years
Female	27.1 years	26.7 years
At 62 for an individual aged 42 in 2025		
Male	26.0 years	25.4 years
Female	28.5 years	28.1 years

Risks

Through the Scheme, the Society is exposed to a number of risks:

- Asset volatility: The Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the Scheme invests in some growth assets. These assets are expected to outperform corporate bonds in the long term but provide volatility and risk in the short term.
- Changes in bond yields: A decrease in corporate bond yields would increase the Scheme's defined benefit obligations. The Scheme invests in Liability Driven Investments (LDI) assets, which are designed to offset the impact of changes to market yields. Changes in bond yields are therefore not expected to be a significant source of Balance Sheet volatility other than significant changes in credit spreads.
- Inflation risks: A significant proportion of the Scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place), although the Scheme's LDI holding is expected to offset the impact of inflation rate changes.
- Mortality risk: If Scheme members live longer than expected, the Scheme's benefits will need to be paid for longer, increasing the Scheme's defined benefit obligation.

The Trustees and Society manage risks in the Scheme through the following strategies:

- Diversification: Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- Investment strategy: The Trustees are required to review their investment strategy on a regular basis.
- LDI: The Scheme invests in LDI assets, whose long-term investment returns are expected to partially hedge interest rate and inflation rate movements.
- Pension increase exchange: The Trustees currently offer retiring members an option to exchange future pension increases for a higher immediate pension. This has reduced the Scheme liabilities for retired members who have already taken up the option and, based upon the assumption of future take up, for deferred members who will retire in future.

The sensitivity of the defined benefit obligation to the assumptions used are shown below; the sensitivities applied represent reasonably possible changes in key actuarial assumptions.

Sensitivity Analysis	Change in assumption	Change in defined benefit obligations (%)	Change in defined benefit obligations (£m)
Assumptions			
Discount rate	+/- 0.5% pa	-5 / +5	(3.3) / 3.3
Inflation	+/- 0.5% pa	+2 / -2	1.3 / (1.3)
Assumed life expectancy	+/- 1 year	+3 / -3	2.0 / (2.0)

Limitations of the sensitivity analysis

These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

Asset class at market value

The assets of the Scheme were invested as follows:

Asset class at market value	2025	2024
	%	%
Equities	13.0	12.0
Diversified growth funds	12.0	11.0
Corporate bonds	28.0	29.0
Fixed interest and index linked gilts	46.0	45.0
Annuities	-	1.0
Cash	1.0	2.0
Total	100.0	100.0
Actual return on assets over the period	3.8	(3.4)

All assets listed above are held as Legal and General Pooled Investment Vehicles with the exception of the small amount in the Trustees bank account. The multi asset class consists of a single diversified fund with underlying assets of equities, bonds, commodities and listed infrastructure, property, private equity and global real estate companies.

Reconciliations to the Balance Sheet	2025	2024
	£m	£m
Total value of assets	66.8	68.1
Present value of defined benefit obligations	(64.9)	(64.2)
Funded status	1.9	3.9
Adjustment in respect of minimum funding requirement	(1.9)	(3.9)
Pension asset recognised in the Balance Sheet before allowance for deferred tax	-	-

Analysis of changes in the value of the defined benefit obligation over the period	2025	2024
	£m	£m
Value of defined benefit obligations at start of the period	64.2	71.9
Interest cost	3.8	3.2
Past service cost	0.4	-
Benefits paid	(4.3)	(4.1)
Actuarial losses / (gains): experience differing from that assumed	1.0	(0.4)
Actuarial losses / (gains): changes in demographic assumptions	1.4	(0.1)
Actuarial gains: changes in financial assumptions	(1.6)	(6.3)
Value of defined benefit obligation at end of period	64.9	64.2

Analysis of changes in the value of the Scheme assets over the period	2025	2024
	£m	£m
Market value of assets at start of period	68.1	76.2
Interest income	3.6	3.4
Actual return on assets less interest	0.2	(6.8)
Employer contributions	0.3	0.3
Benefits paid	(4.3)	(4.1)
Administration costs	(1.1)	(0.9)
Market value of assets at end of period	66.8	68.1

Amount recognised in Income Statements	2025	2024
	£m	£m
Administration costs	0.3	0.3
Past service cost	0.4	-
Amount charged to Income Statement	0.7	0.3

Amount recognised in Other Comprehensive Income	2025	2024
	£m	£m
Actuarial losses on defined benefit obligation	(0.8)	6.8
Actual return on assets less interest	0.2	(7.4)
Limit on recognition of assets less interest	1.0	0.6
Amounts recognised in Statement of Comprehensive Income	0.4	-

The total administration costs, including current service costs, incurred during the year totalled £1.1m (2024: £0.9m), of which £0.3m (2024: £0.3m) was paid for by the Society and therefore recognised in the Society's Income Statement. The remaining £0.8m (2024: £0.6m) was met from a surplus in the Scheme assets. As the Scheme's surplus is not recognised on the Society's Balance Sheet, this balance does not impact the Society's financial statements.

Insured members

The pension obligation for some members of the Scheme is insured by a third party. The pension liability relating to insured members and the corresponding insurance assets in respect of these members always net to £nil. At 30 June 2025 (being the latest data available), they were estimated to be £0.3m (2024: £0.4m). They have no effect on any primary financial statement. The pension liability and pension asset have been presented including the insured pension liability and related insurance asset (previously presented net).

Virgin Media Limited v NTL Pension Trustees II Limited

The Society is aware of the 2023 ruling in the Virgin Media vs NTL Pension Trustee legal case and subsequent Court of Appeal ruling published in July 2024. The UK government announced on 5 June 2025 that legislation will be introduced enabling retrospective actuarial certification to validate historic amendments. While this legislative solution is anticipated to remove the requirement for provisions related to void benefit changes, neither the timing nor precise scope are confirmed. Until enacted, there remains significant uncertainty as to whether the judgements will result in additional liabilities for UK pension schemes and as outlined in note 1, the Society cannot be certain of the potential implications (if any) and therefore a sufficiently reliable estimate of any effect on the obligation cannot be made, however it is possible that the defined benefit pension obligation could be increased.

20. Other assets

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Receivable from subsidiary undertakings	-	-	0.9	8.9
Prepayments and accrued income	12.9	11.5	3.4	3.6
Other receivables	4.9	5.5	0.3	0.5
	17.8	17.0	4.6	13.0

21. Due to Members

	Group and Society	
	2025	2024
	£m	£m
Held by individuals	5,882.6	5,432.6
Other shares	0.1	0.1
	5,882.7	5,432.7

22. Debt securities in issue

	Group	
	2025	2024
	£m	£m
Residential mortgage backed securities	323.4	-

The underlying security for the residential mortgage backed securities (RMBS) is certain loans and advances to customers.

In July 2025 the Group issued £711.4m of RMBS through its special purpose vehicle Hadrian Funding 2025-1 PLC, of which £361.4m was retained by the Society, which have a call date of 20 May 2030.

23. Other liabilities

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Amounts payable to subsidiary undertakings	-	-	3.7	9.0
Lease liabilities	7.7	7.5	7.7	7.5
Other creditors	6.0	3.7	3.5	2.1
Accruals and deferred income	10.2	11.4	6.4	7.6
	23.9	22.6	21.3	26.2

24. Provisions for liabilities and charges

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Opening provision at 1 January	11.2	0.6	11.2	0.5
New provisions for the year	2.3	22.2	1.9	21.9
Amounts utilised / transferred during the year	(11.3)	(11.6)	(10.9)	(11.2)
Closing provision at 31 December	2.2	11.2	2.2	11.2

During 2024 the Group committed to providing voluntary financial support to help customers whose trusts were affected by the actions and subsequent collapse of Philips Trust. The support offered was entirely voluntary and there is no legal or regulatory requirement to provide financial support. A provision of £21.2m was recognised during 2024 in respect of this.

During the year, payments of £9.3m have been made to affected customers (2024: £10.1m). Included within amounts utilised during the 12 months to 31 December 2025 is £0.2m of costs incurred in respect of the administration of the scheme (2024: £0.6m).

In addition, £1.0m has been received from the administrators of Philips Trust during the year from the recoveries made from Philips Trust investments (2024: £1.2m). The amounts received as recoveries from the administrators are recognised within 'Provisions for liabilities and charges' within the Income Statement but does not reduce the provision for liabilities amount held on the Balance Sheet, in line with accounting standards.

At 31 December 2025, the remaining provision being held in respect of the support scheme was £1.0m.

Included within new provisions for the year was £2.1m of costs relating to termination benefits associated with an ongoing review and deployment of the new Group target operating model (2024: £0.9m). At 31 December 2025 £0.2m of these costs remain within provisions for liabilities (2024: £nil).

Included within the remaining £1.2m of provisions is an estimate of £0.5m of the costs of potential consumer redress costs.

25. Subordinated liabilities

	Group and Society	
	2025	2024
	£m	£m
Fixed rate subordinated notes 2034 - 12.25%	19.6	20.2

All subordinated liabilities are denominated in Sterling. Coupons are paid on a fixed basis semi-annually.

In June 2024, £20.0m of callable subordinated loan notes were issued by the Group, with a maturity date of September 2034 and an optional call date of September 2029.

The notes rank behind all other creditors of the Society and the claims of shareholding Members, other than holders of permanent interest bearing shares (PIBS).

26. Subscribed capital

	Group and Society	
	2025	2024
	£m	£m
Presented as liabilities		
12.625% permanent interest bearing shares	10.0	10.0
10.750% permanent interest bearing shares	10.0	10.0
6.750% permanent interest bearing shares	9.6	9.6
8.000% permanent interest bearing shares	5.1	5.2
	34.7	34.8

The 12.625%, 10.750% and 8.000% subscribed capital issues were issued for an indeterminate period and are only repayable in the event of the winding up of the Society. The 6.750% subscribed capital issue has a call date of April 2030 at the discretion of the Society. The Society's permanent interest bearing shares (PIBS) rank equally with each other. The 6.750% and 8.000% PIBS were acquired from Manchester Building Society on merger and have notional values of £10m and £5m respectively.

On winding up or dissolution of the Society, the claims of holders of the PIBS rank behind all other creditors of the Society including the claims of shareholding members for both principal and interest. The holders of PIBS are not entitled to any surplus upon winding up or final dissolution of the Society. Where the PIBS have no fixed maturity, they are classified as financial liabilities as their terms do not grant the Directors discretion to avoid the payment of interest, as the only instance where interest could not be paid on the instruments would be where capital levels are insufficient to allow such a payment to be made. The PIBS are carried at amortised cost.

27. Other equity instruments

In 2024 the Society issued £40m of perpetual contingent convertible additional tier 1 (AT1) capital securities.

These AT1 instruments pay a fully discretionary, non-cumulative fixed coupon at an initial rate of 14% per annum. The rate will reset on 6 June 2030 and every five years thereafter. Coupons are paid semi-annually in June and December and are treated as distributions to the instrument holders and so will be recognised directly in the Society's general reserve. During the year £5.6m distributions were made to instrument holders (2024: £nil).

The instruments are perpetual, having no fixed maturity date and are repayable at the option of the Society. If the applicable Common Equity Tier 1 ratio for the Group falls below 7%, they convert to core capital deferred shares (CCDS) at the rate of one CCDS for every £67 of AT1 instrument held.

On winding up or dissolution of the Society, the AT1 instruments rank junior to all other creditors of the Society including subordinated liabilities and the claims of shareholding Members for both principal and interest. The holders are not entitled to any share in any final surplus upon a winding up or final dissolution of the Society.

28. Guarantees, contingent liabilities and commitments

Commitments

The Society has no capital commitments for the acquisition of property, plant, and equipment at 31 December 2025 (2024: £2.2m). Commitments in respect of leases classified as short term or small under IFRS 16, Leases are disclosed in note 17.

In addition, since 2012 the Society has provided a commitment that liabilities arising from Newcastle Financial Advisers' current banking arrangements with a financial institution are met. There are no outstanding liabilities arising from this arrangement (2024: £nil).

Furthermore, there are a small number of legacy Newcastle Strategic Solutions client contracts that include a parental guarantee from the Society to guarantee payment of sums owed by Newcastle Strategic Solutions to the client set out under the contract.

The Society has also committed to provide mortgage loans at the Balance Sheet date that have not yet completed as follows:

	Group and Society	
	2025	2024
	£m	£m
Irrevocable undrawn committed loan facilities	348.5	291.2

29. Notes to the Cash flow Statements

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Reconciliation of profit before taxation to net cash flows from operating activities				
Profit before taxation	22.6	15.7	27.6	15.7
Depreciation and amortisation	8.4	7.6	2.9	2.5
Movement in fair value of derivative financial instruments	51.0	(30.9)	42.3	(32.5)
Interest charge on subscribed capital and subordinated liabilities	6.0	4.7	6.0	4.7
Interest charge / (credit) for finance lease arrangements	0.4	(0.3)	0.4	(0.3)
Interest charge for debt securities in issue	8.0	-	-	-
Loss / (gain) on disposal of non-current assets	0.2	-	(0.4)	-
Net cash flows before changes in operating assets and liabilities	96.6	(3.2)	78.8	(9.9)
Increase in loans and advances to customers	(428.3)	(429.5)	(428.5)	(431.0)
(Increase) / decrease in fair value adjustments for hedged risk	(36.9)	8.7	(36.9)	8.7
(Increase) / decrease in cash collateral pledged	(12.7)	6.7	(12.7)	6.7
Decrease in cash ratio deposits	-	14.5	-	14.5
Increase in shares	450.0	418.4	450.0	418.4
Decrease in amounts due to other customers and deposits from credit institutions	(335.9)	(142.4)	(335.9)	(142.4)
(Increase) / decrease in other assets, prepayments and accrued income	(0.8)	3.2	(0.5)	(2.3)
Increase / (decrease) in other liabilities	1.0	(0.2)	(5.1)	6.1
(Decrease) / increase in provisions for liabilities	(9.0)	10.6	(9.0)	10.7
Other non-cash movements	(6.5)	2.6	(6.7)	3.5
Net cash flows from operating activities	(282.5)	(110.6)	(306.5)	(117.0)
Reconciliation from Balance Sheet to Cash and cash equivalents				
Cash and cash equivalents				
Cash and balances with the Bank of England	177.3	451.5	177.3	451.5
Loans and advances to banks repayable on demand	52.9	21.2	4.2	4.5
At 31 December	230.2	472.7	181.5	456.0

Cash and cash equivalents comprise cash in hand, balances with the Bank of England, loans and advances to credit institutions available on demand or with original maturities of three months or less and investment securities with a maturity period of three months or less i.e. highly liquid assets readily convertible into cash.

Changes of liabilities arising from financing liabilities in the year were as follows:

	GROUP		SOCIETY	
	2025	2024	2025	2024
	£m	£m	£m	£m
Subordinated liabilities and subscribed capital				
At 1 January	55.7	35.2	55.7	35.2
Cash movements:				
Interest payments	(5.9)	(4.0)	(5.9)	(4.0)
Proceeds from issuance	-	19.8	-	19.8
Non cash movements:				
Accrued interest	6.0	4.7	6.0	4.7
At 31 December	55.8	55.7	55.8	55.7
Lease liabilities				
At 1 January	7.2	7.7	7.2	7.7
Cash movements:				
Capital repayments	(1.1)	(2.3)	(1.1)	(2.3)
Interest payments	(0.4)	(0.3)	(0.4)	(0.3)
Non cash movements:				
Interest charge	0.4	0.3	0.4	0.3
New leases	1.3	2.1	1.3	2.1
Dilapidations	0.4	-	0.4	-
Lease remeasurement*	-	(0.3)	-	(0.3)
Lease disposal	(0.1)	-	(0.1)	-
At 31 December	7.7	7.2	7.7	7.2
Debt securities in issue				
At 1 January	-	-	-	-
Cash movements:				
Proceeds from issuance	349.3	-	-	-
Principal repayments	(27.0)	-	-	-
Interest payments	(6.3)	-	-	-
Non cash movements:				
Interest charge	8.0	-	-	-
Issue costs	(0.6)	-	-	-
At 31 December	323.4	-	-	-

* Lease remeasurements relate to changes in the contractual lease payments due being reflected in the lease liability.

Opening and closing balance sheet positions include applicable accrued interest. The Group's financing liabilities (lease liabilities, subordinated liabilities, subscribed capital and debt securities in issue) are held on Balance Sheet at their amortised cost under IFRS 9, except for leases which are held at amortised cost under IFRS 16 and are denominated in Sterling. Accordingly, the accounting value of the Group's financing liabilities has not been impacted by changes in fair value or foreign exchange rates during the years to 31 December 2025 or 2024.

30. Related parties

The Group is controlled by Newcastle Building Society which is registered in England and Wales and operates in the United Kingdom. See note 15 for further details of subsidiary undertakings.

Transactions with Directors and their close family members

Directors and their close family members have entered into the following transactions with Newcastle Building Society in the normal course of business.

	Group and Society	
	2025	2024
	£000	£000
Loans to Directors and close family members	33	43
Deposits and investments held by Directors and their close family members	510	559

Loans to Directors and close family members are made on normal commercial terms and a register of them is available for inspection at the Principal Office for a period of 15 days up to and including the Annual General Meeting.

Amounts deposited by Directors and members of their close families earn interest on the same terms and conditions applicable to other customers. There were no other transactions with Directors or their close family members during 2025 or 2024.

Termination payments for key management personnel

During the year, the following termination payments were made to key management personnel. The Group's key management personnel are the Group's Material Risk Takers.

	Group and Society	
	2025	2024
	£000	£000
Termination payments	728	253

Transactions with other Group undertakings

The Society receives managed IT, property and business support services from Newcastle Strategic Solutions, a wholly owned subsidiary of the Society. The Society provides financial and administrative services to Newcastle Strategic Solutions and Newcastle Financial Advisers.

During the year, the following transactions were carried out with related parties:

(a) Sales of financial and administrative services

	Society	
	2025	2024
	£000	£000
Newcastle Financial Advisers Limited	1,465	-
Newcastle Strategic Solutions Limited	14,878	11,774

Sales of services are negotiated with related parties on commercial terms.

(b) Purchases of services

	Society	
	2025	2024
	£000	£000
Business Support Services		
Newcastle Strategic Solutions Limited	14,426	17,758

Purchased services are negotiated with related parties on commercial terms.

At 31 December 2025 the following unsecured trading balances remained outstanding with related parties:

(c) Outstanding balances

	Amounts owed to Society		Amounts owed by Society	
	2025	2024	2025	2024
	£000	£000	£000	£000
Newcastle Strategic Solutions Limited	857	7,097	1,726	4,287
Newcastle Financial Advisers Limited	-	-	303	1,530
Newcastle Mortgage Loans (Jersey) Limited	-	12	72	-
MBS (Mortgages) Limited	-	46	1,648	1,461

At 31 December 2025 the following borrowings and cash deposits remained outstanding with related parties:

(d) Borrowings / cash deposits

	Amounts borrowed from Society		Amounts deposited with Society	
	2025	2024	2025	2024
	£000	£000	£000	£000
Newcastle Strategic Solutions Limited	28,588	33,940	-	-
Newcastle Mortgage Loans (Jersey) Limited	150	122	-	-
Tyne Funding No.1 plc	2,544	2,544	-	-
Hadrian Funding 2025-1 PLC	9,828	-	-	-

	Interest paid to Society		Interest paid by Society	
	2025	2024	2025	2024
	£000	£000	£000	£000
Newcastle Strategic Solutions Limited	2,355	2,292	-	-
Newcastle Mortgage Loans (Jersey) Limited	14	46	-	-
Tyne Funding No.1 plc	13	13	-	-
Hadrian Funding 2025-1 PLC	25	-	-	-

The loan from the Society to Newcastle Strategic Solutions is made up of three tranches, each on a rolling basis. The interest rate on the loans is the Society's standard variable rate (SVR) +1% and SVR -2%.

The loan between the Society and Newcastle Mortgage Loans (Jersey) Limited has an interest rate of SONIA +0.12% and will mature when the company's underlying mortgage book redeems.

The loans to Tyne Funding No.1 PLC have an interest rate of 0.5%. The loans are subordinate to all other obligations of Tyne Funding No.1 PLC and are repayable at the maturity of the notes detailed in Note 14.

The loans to Hadrian Funding 2025-1 PLC have an interest rate of 0.5%. The loans are subordinate to all other obligations of Hadrian Funding 2025-1 PLC and are repayable at the maturity of the notes detailed in Note 14. The loan to Hadrian Funding 2025-1 PLC is presented within the deemed loan liability in the Society Balance Sheet, as outlined in note 14.

31. Categories of financial instruments

The following table analyses the financial assets and liabilities in the Balance Sheet by the class of financial instrument to which they are assigned and by the measurement basis. Detail on the classifications of financial assets and liabilities are found in note 1.

Group at 31 December 2025					
	Note	Amortised cost £m	FVOCI £m	FVTPL £m	Total £m
Financial assets					
Cash in hand and balances with the Bank of England		177.3	-	-	177.3
Loans and advances to credit institutions*	10	146.2	-	-	146.2
Debt securities	11	-	859.2	-	859.2
Derivative financial instruments	35	-	-	16.9	16.9
Loans and advances to customers	12	5,551.3	-	162.9	5,714.2
Investments	15	-	-	1.4	1.4
Other assets, of which financial	20	4.9	-	-	4.9
Total financial assets		5,879.7	859.2	181.2	6,920.1
Financial liabilities					
Due to Members	21	5,882.7	-	-	5,882.7
Due to other customers		163.8	-	-	163.8
Amounts owed to credit institutions		158.9	-	-	158.9
Debt securities in issue	22	323.4	-	-	323.4
Derivative financial instruments	35	-	-	44.5	44.5
Subordinated liabilities	25	19.6	-	-	19.6
Subscribed capital	26	34.7	-	-	34.7
Other liabilities, of which financial	23	9.7	-	-	9.7
Total financial liabilities		6,592.8	-	44.5	6,637.3

*Loans and advances to credit institutions includes £48.7m (2024: £16.7m) in cash held by the Society's subsidiary entities.

Group at 31 December 2024					
	Note	Amortised cost £m	FVOCI £m	FVTPL £m	Total £m
Financial assets					
Cash in hand and balances with the Bank of England		451.5	-	-	451.5
Loans and advances to credit institutions*	10	101.8	-	-	101.8
Debt securities	11	-	602.3	-	602.3
Derivative financial instruments	35	-	-	56.6	56.6
Loans and advances to customers	12	5,117.7	-	171.6	5,289.3
Investments	15	-	-	1.6	1.6
Other assets, of which financial	20	5.2	-	-	5.2
Total financial assets		5,676.2	602.3	229.8	6,508.3
Financial liabilities					
Due to Members	21	5,432.7	-	-	5,432.7
Due to other customers		241.0	-	-	241.0
Deposits from credit institutions		417.6	-	-	417.6
Derivative financial instruments	35	-	-	29.4	29.4
Subordinated liabilities	25	20.2	-	-	20.2
Subscribed capital	26	34.8	-	-	34.8
Other liabilities, of which financial	23	9.0	-	-	9.0
Total financial liabilities		6,155.3	-	29.4	6,184.7

All of the Group's FVTPL financial assets and liabilities are mandatorily measured at fair value under IFRS 9. The Group has not elected to hold any financial assets or liabilities at FVTPL under IFRS 9 that could otherwise have been held at amortised cost or at FVOCI. The Group has not reclassified any financial assets during the year.

32. Financial instruments held at fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value hierarchy and summary of assets and liabilities held at fair value

For assets held at fair value, the following table summarises the basis for measuring the fair value, using the three levels defined in IFRS 13, Fair Value Measurement:

		2025	2024
	Level	£m	£m
Financial assets			
Debt securities at FVOCI	1	859.2	602.3
Listed equity investments	1	0.2	0.1
Derivative financial instruments	2	12.7	47.9
Derivative financial instruments	3	4.2	8.7
Unlisted equity investments	3	1.2	1.5
Loans and advances to customers held at fair value	3	162.9	171.6
Financial liabilities			
Derivative financial instruments	2	40.3	20.6
Derivative financial instruments	3	4.2	8.8

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as price) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Mortgage assets held at fair value through profit or loss

The Group's equity release mortgage assets are accounted for as fair value through profit or loss.

The fair value of the equity release portfolio is calculated using a model that estimates the future cash flows expected from the portfolio. The timing of those cash flows are determined with reference to mortality tables overlaid by expected prepayments. The model discounts these cash flows to their present value, using a discount rate based on interest rates for new equity release mortgages available at the Balance Sheet date, adjusted for the specific characteristics of the Society's portfolio. The model further calculates a value for the 'no-negative equity guarantee' provided to the customer using an option pricing method.

The valuation uses a number of inputs which require estimation, such as mortality and prepayment rates, discount rate, property price volatility and the haircut applied to individual sales prices.

The key estimates used in the model and the basis of estimation are summarised below:

Assumption	Basis of estimation
Discount rate	Interest rates for equity release mortgages available at the Balance Sheet date, adjusted for specific characteristics of the Society's portfolio
Long-term property price growth	Analysis of historic long-term property price growth
Sales discount on collateral	Analysis of historic sales discounts
Property price volatility	Analysis of historic property price volatility and third party research

At 31 December 2025 the fair value of the equity release mortgage assets was £162.9m (2024: £171.6m). The sensitivity of this value to the estimates shown above is as follows:

Assumption	Change in assumption	31 December 2025	31 December 2024
		(Decrease) / increase in fair value £m	(Decrease) / increase in fair value £m
Discount rate	+/- 1%	(8.8) / 9.8	(9.6) / 10.8
Long term property price growth	+/- 2%	3.4 / (3.8)	4.0 / (4.8)
Sales discount on collateral	+/- 2.5%	(1.5) / 1.3	(1.5) / 1.5
Property price volatility	+/- 3%	(3.7) / 3.4	(2.9) / 2.9

The following table provides a reconciliation of the equity release portfolio's opening and closing fair value.

	2025	2024
	£m	£m
At 1 January	171.6	188.4
Interest accrued	8.8	12.2
Redemptions	(18.1)	(21.8)
Changes in economic assumptions - recorded in profit and loss	3.5	-
Changes in discount rate - recorded in profit and loss	(4.2)	(6.0)
Changes in exchange rates - recorded in profit and loss	1.3	(1.2)
At 31 December	162.9	171.6

The Society hedges fair value movements on the equity release portfolio due to market interest rate movements using interest rate swaps. There was a reduction in fair value adjustment on the equity release portfolio during the year of £1.3m, with the remaining movements being due to movements in loan balances. The value of interest rate swaps decreased by £0.6m, resulting in a net loss of £1.9m in the year included in the Income Statement.

Derivative financial instruments

The Group's securitisation programme involves the transfer of beneficial ownership of pools of mortgage loans to the securitisation Special Purpose Vehicles which are controlled by the Society. The transaction creates interest rate risk in the Society and Special Purpose Vehicles, which is hedged with balance guarantee swaps traded with external counterparties. The notional of the balance guarantee swaps adjusts to match the outstanding balance of the transferred mortgage loans as the mortgage loans are repaid by the borrower.

The fair value of the balance guarantee swaps is calculated using a model that estimates the future cash flows from the swaps. The timing and amount of those cash flows are uncertain but are estimated with reference to expected prepayments of the mortgages, retention rates of maturing mortgages and future expected interest rates applied to the retained mortgages, to determine the future expected notional profile of the mortgages within the pools used as collateral for the securitisation. The model applies the overnight indexed swap yield curve to discount these cash flows to their present value. The model further calculates a value for the optionality inherent in the adjustable notional profile of the balance guarantee swaps applying an option pricing method.

The key estimates used in the model and the basis of estimation are summarised below:

Assumption	Basis of estimation
Prepayments	Analysis of historic customer behaviour
Retention rate	Analysis of historic customer behaviour
Future mortgage interest rates	Analysis of historic mortgage and swap rates
Interest rate volatility	Analysis of historic interest rate volatility

At 31 December 2025 the fair value of the balance guarantee swaps in respect of the Group's securitisation issuances was £4.2m (2024: £8.8m). The sensitivity of this value to the estimates shown above is as follows:

Assumption	Change in assumption	31 December 2025	31 December 2024
		(Decrease) / Increase in fair value	(Decrease) / increase in fair value
		£m	£m
Prepayments	+/- 5%	(0.1) / 0.3	(0.2) / 0.2
Retention rate	+/- 10%	0.2 / (0.1)	0.3 / (0.2)
Future mortgage interest rates	+/- 0.1%	(0.9) / 1.0	-
Interest rate volatility	+/- 3%	0.2 / (0.2)	-

The following table provides a reconciliation of the balance guarantee swaps opening and closing fair value.

	2025	2024
	£m	£m
At 1 January	8.8	10.3
Interest accrued	0.1	(0.2)
Changes in fair value	(4.7)	(1.3)
At 31 December	4.2	8.8

The interest rate swaps in place for the securitisation issuances are back-to-back swaps, where by equal and opposite swaps are traded between the SPV and the external counterparty and between the Society and the external counterparty. Therefore, for the above sensitivities, there would be an equal and opposite movement in the fair value of the swap within the Society's financial statements and the financial statements of the SPV.

33. Fair value of assets held at amortised cost

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's or Society's Balance Sheets at their fair value. These assets and liabilities are held at values reflecting their intended use. In all cases, this is via collection of contractual amounts due and not through disposal. This is deemed to also reflect their best use. If the Group's intended use of an asset or liability changes, the accounting adopted for the item is revisited for reclassification. The carrying values below reflect the Group's maximum exposure to counterparty credit risk.

Group	Note	Level*	Carrying value		Fair value	
			2025	2024	2025	2024
			£m	£m	£m	£m
Financial assets						
Cash and balances with the Bank of England		1	177.3	451.5	177.3	451.5
Loans and advances to credit institutions	10	1	146.2	101.8	146.2	101.8
Loans and advances to customers	12	3	5,551.3	5,117.7	5,571.2	5,095.3
Other assets, of which financial		3	4.9	5.2	4.9	5.2
Financial liabilities						
Due to Members	21	3	5,882.7	5,432.7	5,888.0	5,435.4
Due to other customers		3	163.8	241.0	163.8	241.0
Deposits from credit institutions		3	158.9	417.6	158.9	417.9
Debt securities in issue	22	1	323.4	-	323.4	-
Subordinated liabilities	25	1	19.6	20.2	22.9	20.9
Subscribed capital	26	1	34.7	34.8	50.1	48.2
Other liabilities, of which financial		3	9.7	9.0	9.7	9.0

*Levels are defined in note 32.

The Group does not trade in financial instruments for speculative purposes. Against level 3 assets there is no expectation that a deferred gain or loss on initial recognition will be recognised in future periods: the transaction price at inception is considered to reflect an appropriate day one fair value. For short term receivables and payables within other assets and other liabilities, the carrying value of amounts due and owed is considered to approximate the fair value of the amounts due and owed. IFRS 9 based impairment allowances against other assets are not material. There were no gains or losses arising from financial assets or liabilities held at amortised cost.

Cash and balances with the Bank of England

The fair value of floating rate and overnight deposits is their carrying amount.

Loans and advances to credit institutions

The fair value of floating rate and overnight deposits is their carrying amount. The fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers

Loans and advances to customers are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Due to Members and due to other customers

The fair value of shares and balances due to other customers represents the discounted amount of estimated future cash flows paid to Members and other customers.

Deposits from credit institutions

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Debt securities in issue

The fair value of the Group's debt securities in issue is calculated based on public market prices on the Balance Sheet date.

Subordinated liabilities and subscribed capital

The fair value of subordinated liabilities and subscribed capital is calculated based on public market prices on the Balance Sheet date.

34. Interest rate risk

The table below presents the impact of interest rate shocks on the Group's economic value, including the Groups hedging positions. The shocks calculate the impact on the discounted present value of future cash flows via changing the yield curve by a fixed amount across all future points. The adverse economic value impact (EVE) shock is a parallel shock up, resulting in a reduction in market value of £18.4m. This is largely due to the exclusion of the Group's general reserves in these shocks; typically, the Group offsets fixed mortgages against the general reserves to manage interest income volatility and to protect against margin compression as rates fall. The remainder of the reduction is due to timing differences of hedging fixed rate mortgages and savings at a tranche level.

	2025		2024	
	+2.5%	-2.5%	+2.5%	-2.5%
Economic value impact At 31 December	(18.4)	16.8	(17.0)	15.2

The EVE results throughout 2025 remained below the outlier test threshold set by the regulator.

Please see notes 35 and 37 for details about instruments used for managing interest rate risk.

The exposure to interest rate risk due to the Group's defined benefit pension scheme is detailed in note 19.

35. Derivative financial instruments

The Group uses interest rate swaps to hedge against interest rate risk and forward contracts to manage foreign exchange risk. Offsetting collateral is pledged and received in line with underlying Credit Support Annexes (CSA) with the Group's financial counterparties. The table below shows the fair value of the Group's and Society's derivative portfolios, and the collateral pledged/received against these.

Group as at 31 December 2025

	Gross amount	Master netting arrangements	Financial collateral	Net amount
	£m	£m	£m	£m
Financial assets				
Derivative assets	16.9	(12.7)	(1.3)	2.9
Financial liabilities				
Derivative liabilities	(44.5)	12.7	28.6	(3.2)

Group as at 31 December 2024

	Gross amount	Master netting arrangements	Financial collateral	Net amount
	£m	£m	£m	£m
Financial assets				
Derivative assets	56.6	(18.2)	(29.5)	8.9
Financial liabilities				
Derivative liabilities	(29.4)	18.2	10.8	(0.4)

Society as at 31 December 2025

	Gross amount	Master netting arrangements	Financial collateral	Net amount
	£m	£m	£m	£m
Financial assets				
Derivative assets	12.7	(12.7)	-	-
Financial liabilities				
Derivative liabilities	(40.3)	12.7	25.6	(2.0)

Society as at 31 December 2024

	Gross amount	Master netting arrangements	Financial collateral	Net amount
	£m	£m	£m	£m
Financial assets				
Derivative assets	47.9	(18.2)	(29.5)	0.2
Financial liabilities				
Derivative liabilities	(29.4)	18.2	10.8	(0.4)

Cash collateral is posted and received on a daily basis to minimise the Group's and the counterparty's exposure to counterparty credit risk. Collateral posted is measured against counterparty mark-to-market values and may not reflect the Group's internal valuation of its financial instruments.

The Group has entered into International Swaps and Derivatives Association (ISDA) Master agreements with financial counterparties in line with standard industry practice. Netting agreements contained within are not alone considered sufficient to satisfy the offsetting criteria of IAS 32. The netting agreements are intended to protect the Group against fair value loss in the unlikely future event of counterparty default.

The Group has continued to make use of the London Clearing House (LCH), minimising its exposure to non-LCH counterparties. The protected manner of LCH collateral placements mitigates counterparty credit risk with respect to collateral that would otherwise be pledged to non-centralised derivative counterparties.

Financial collateral of £63.9m (2024: £68.9m) has been placed with LCH with respect to 'initial margin': an amount calculated by central counterparties to protect against potential future exposures that could arise from valuation changes. This is in addition to the 'variation margin', covering LCH's current net exposure to the Group. The Group's collateral pledged against initial margin requirements is not included in the collateral column above, but it is included in note 36.

The Group has two one way collateralisation swap agreements as part of the securitisation programmes, the exposure under these agreements is £1.7m (2024: £8.7m). The remaining under collateralisation of £2.0m (2024: over collateralisation of £0.9m) relates to initial bilateral margin, changes in the valuation since the last margin call, minimum transfer amounts and differences between internal valuations used for reporting purposes and counterparty valuations which collateral is based on.

Where the Group holds multiple financial assets and liabilities with a single counterparty, and a master netting agreement is in effect, the net fair value exposure for each counterparty is calculated. Net exposures placed with counterparties are consolidated into the financial asset's disclosure above, net exposures received from counterparties are similarly consolidated into the financial liabilities.

36. Encumbered assets

Certain financial assets have been utilised as collateral to support the wholesale funding initiatives of the Group and are used as security for funding with the Bank of England or other third parties. Alternatively, assets may be used as collateral in line with Credit Support Annexes relating to derivatives, as detailed in note 35. Assets that are used for such purposes are classified as encumbered and cannot be used for other purposes.

The following table provides an overview of the Group's encumbered and unencumbered financial assets.

Group	2025		2024	
	Encumbered	Unencumbered	Encumbered	Unencumbered
	£m	£m	£m	£m
Cash and balances with the Bank of England	-	177.3	-	451.5
Loans and advances to credit institutions	93.3	52.9	80.9	20.9
Debt securities	140.0	719.2	-	602.3
Loans and advances to customers*	1,283.4	4,430.8	773.3	4,516.0
Derivative financial instruments	-	16.9	-	56.6
Other assets	-	98.1	-	54.7
Total	1,516.7	5,495.2	854.2	5,702.0

*£791.3m of encumbered loans and advances to customers relate to mortgage assets used as a security in the Group's securitisation programmes. Loan notes secured on these mortgage assets totalling £490.3m (2024: £190.2m) have been retained by the Group, as outlined in note 14. These notes are not presented on the Group Balance sheet and are unencumbered; £396.2m of these loan notes are available as securities to the Group and could be used as collateral.

37. Hedge accounting

The Group is exposed to interest rate risk across its fixed interest rate financial assets and liabilities.

The Society's core business is to provide mortgage and savings products to its customers and Members. Deposits by Members fund the Society's mortgage lending, with the Society paying an interest charge in return for deposited funds, while borrowers pay an interest charge to the Society in return for the funds they have borrowed.

Mortgage contracts attracting a fixed rate of interest are typically the most popular of the Society's mortgage offerings, with a fixed rate usually agreed for a term of two to five years. By contrast, most of the Society's deposits are made under short term agreements, with deposits often repayable 'on demand'. This introduces 'interest rate risk' to the Society's business, as when market-wide interest rates move, the return received on mortgage assets adjusts more slowly than the return paid on Member deposits.

To address this risk, the Society enters into interest rate swap agreements with external counterparties. These contracts protect against interest rate risk by 'swapping' a portion of the Society's fixed interest rate exposure to a variable rate: the Society agrees to pay a fixed rate to a financial counterparty for a period of time in exchange for receipt of a variable interest rate against a notional balance. The resulting variable interest income received matches the Society's variable interest expense, locking in interest margin.

Derivative financial instruments, including interest rate swaps, are held at fair value. The fair value changes when market interest rates change, with this change reflected in the Income Statement. However, most of the fixed rate exposures that the interest rate swaps are used to hedge are held at amortised cost as required by accounting standards, and thus their value on the Society's Balance Sheet does not change in line with market interest rates. The Society applies fair value hedge accounting and cash flow hedge accounting to address this mismatch. Hedge accounting allows the Society to post an adjustment for the value change in the hedged risk; and the movement of this adjustment is reflected in the Income Statement. If the hedge is effective, the adjustment in relation to the swaps' fair value change and the hedged risks' fair value change net off.

The Society also uses swap contracts in order to hedge exposures that are not yet on its Balance Sheet, for example fixed rate mortgages that have been offered but have not yet completed. To avoid volatility in the Society's Income Statement as a result of this hedging activity, the Society utilises cash flow hedge accounting.

Cash flow hedge accounting allows fair value adjustments to derivatives designated in a cash flow hedge to be posted through Other Comprehensive Income rather than the Income Statement to the extent the hedge is effective. Hedge effectiveness is measured by comparing the derivative fair value movement to that of a hypothetical derivative representing the hedged risk. The fair value movement represented in Other Comprehensive Income is restricted to the cumulative fair value movement of the hypothetical derivative. Hedge ineffectiveness is recognised in the Income Statement where fair value movements in the hedging instrument exceed those in the hypothetical derivative.

The Society makes use of the following different types of accounting hedges:

- The hedged item in a fair value micro hedge is a specific mortgage contract or a specific group of such contracts. It could also be a specified treasury asset (e.g. a fixed rate gilt) or treasury liability.
- The hedged item in a fair value macro hedge is a defined portion of a mortgage or savings book, but this portion is re-designated on a regular basis to reflect changes in the hedged portfolio, such as mortgage prepayments or new mortgage contracts.
- The hedged item in a cashflow hedge is usually a forecast floating rate liability, such as Term Funding Scheme or future securitisation funding. This is primarily used to hedge wholesale funding that will economically hedge the mortgage pipeline and swaps that have been transacted during the month. These swaps are designated into a macro fair value hedge at the beginning of the month following the drawdown of hedged loans.

The Society enters into derivative contracts for hedging purposes only. However, not all interest rate swaps may be designated in accounting hedge relationships. This could be the case if the hedged item is held at fair value, and there is therefore no mismatch to be addressed by hedge accounting, or if the restrictive accounting rules do not allow for a hedge to be designated or make it impractical to do so.

The Society uses foreign exchange forwards to protect against foreign exchange risk by fixing the exchange rate on a portion of the Society's Euro exposure. These foreign exchange forwards are not designated in accounting hedge relationships. There is no mismatch to be addressed by hedge accounting as the Society's euro-denominated equity release book is held at fair value.

Maturity analysis of hedging instruments

The maturity profile of the Group's hedging instruments at 31 December 2025 is as follows:

	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Interest rate swaps designated in macro fair value hedge relationships					
Nominal amount	-	1,354.5	2,786.0	56.8	4,197.3
Average fixed interest rate	-	3.56%	3.66%	3.68%	3.63%
Fair value of assets	-	4.1	6.2	0.3	10.6
Fair value of liabilities	-	(2.3)	(18.9)	(0.3)	(21.5)
Interest rate swaps designated in cashflow hedge relationships					
Nominal amount	-	-	182.5	76.3	258.8
Average fixed interest rate	-	-	3.51%	3.63%	3.54%
Fair value of assets	-	-	-	0.2	0.2
Fair value of liabilities	-	-	(0.3)	(0.2)	(0.5)
Interest rate swaps designated in micro fair value hedge relationships					
Nominal amount	5.0	12.5	286.7	131.1	435.3
Average fixed interest rate	3.85%	1.71%	3.76%	4.23%	3.84%
Fair value of assets	-	0.3	0.1	-	0.4
Fair value of liabilities	-	-	(2.4)	(4.5)	(6.9)
Interest rate swaps utilised in securitisations					
Nominal amount	-	137.4	-	616.9	754.3
Average fixed interest rate	-	1.54%	-	4.53%	3.99%
Nominal liability amount	-	137.4	-	616.9	754.3
Average fixed interest rate	-	1.49%	-	4.51%	3.96%
Fair value of assets	-	3.0	-	1.2	4.2
Fair value of liabilities	-	(3.0)	-	(1.2)	(4.2)
Interest rate swaps in economic hedge relationships but not designated in accounting hedge relationships					
Nominal amount	346.4	805.0	146.5	163.2	1,461.1
Average fixed interest rate	3.80%	3.95%	3.53%	4.83%	3.97%
Fair value of assets	0.7	0.8	-	-	1.5
Fair value of liabilities	-	(0.1)	-	(11.2)	(11.3)
Total interest rate swaps					
Nominal amount	351.4	2,446.8	3,401.7	1,661.2	7,861.1
Average fixed interest rate	1.53%	2.15%	2.89%	4.18%	3.79%
Fair value of assets	0.7	8.2	6.3	1.7	16.9
Fair value of liabilities	-	(5.4)	(21.6)	(17.4)	(44.4)
Foreign exchange forwards in economic hedge relationships but not designated in accounting hedge relationships					
Nominal amount	9.9	15.1	-	-	25.0
Average GBP/EUR exchange rate	1.155	1.138	-	-	1.145
Fair value of assets	-	-	-	-	-
Fair value of liabilities	(0.1)	-	-	-	(0.1)

The maturity profile of the Group's hedging instruments at 31 December 2024 is as follows:

	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Interest rate swaps designated in macro fair value hedge relationships					
Nominal amount	-	827.9	2,051.6	28.0	2,907.5
Average fixed interest rate	-	4.26%	3.42%	3.63%	3.66%
Fair value of assets	-	3.7	36.6	0.8	41.1
Fair value of liabilities	-	(0.6)	(4.0)	(0.1)	(4.7)
Interest rate swaps designated in cashflow hedge relationships					
Nominal amount	-	-	191.0	106.5	297.5
Average fixed interest rate	-	-	3.77%	3.73%	3.75%
Fair value of assets	-	-	1.7	1.3	3.0
Fair value of liabilities	-	-	-	-	-
Interest rate swaps designated in micro fair value hedge relationships					
Nominal amount	-	47.9	172.9	136.7	357.5
Average fixed interest rate	-	3.16%	3.70%	4.25%	3.84%
Fair value of assets	-	0.4	1.8	0.4	2.6
Fair value of liabilities	-	-	(0.2)	(3.8)	(4.0)
Interest rate swaps utilised in securitisations					
Nominal amount	-	-	-	162.1	162.1
Average fixed interest rate	-	-	-	1.54%	1.54%
Nominal liability amount	-	-	-	162.1	162.1
Average fixed interest rate	-	-	-	1.49%	1.49%
Fair value of assets	-	-	-	8.7	8.7
Fair value of liabilities	-	-	-	(8.8)	(8.8)
Interest rate swaps in economic hedge relationships but not designated in accounting hedge relationships					
Nominal amount	287.5	60.0	208.5	175.5	731.5
Average fixed interest rate	4.80%	4.56%	4.21%	4.80%	4.61%
Fair value of assets	0.4	-	0.3	0.1	0.8
Fair value of liabilities	(0.5)	-	-	(11.4)	(11.9)
Total interest rate swaps					
Nominal amount	287.5	935.8	2,624.0	770.9	4,618.2
Average fixed interest rate	0.96%	2.39%	3.02%	3.59%	3.48%
Fair value of assets	0.4	4.1	40.4	11.3	56.2
Fair value of liabilities	(0.5)	(0.6)	(4.2)	(24.1)	(29.4)
Foreign exchange forwards in economic hedge relationships but not designated in accounting hedge relationships					
Nominal amount	11.1	16.6	-	-	27.7
Average GBP / EUR exchange rate	1.17	1.19	-	-	1.2
Fair value of assets	0.3	0.1	-	-	0.4
Fair value of liabilities	-	-	-	-	-

Swap assets and liabilities are held at their fair value on Balance Sheet as derivative financial instruments.

Summary of hedged items in designated hedge relationships

Fair value hedges	2025				2024			
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged item	Change in fair value of hedged items in the year used for ineffectiveness measurement	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged item	Change in fair value of hedged items in the year used for ineffectiveness measurement
	Assets	Liabilities			Assets	Liabilities		
Interest rate risk	£m	£m	£m	£m	£m	£m	£m	
Fixed rate mortgages	3,417.1	-	16.6	37.8	2,289.6	-	(21.9)	(11.5)
Fixed rate customer deposits	-	766.1	(1.6)	(1.6)	-	716.3	-	-
Fixed rate customer loans individually hedged	109.3	-	2.9	0.7	118.0	-	2.2	(7.1)
Fixed rate FVOCI debt instruments	372.5	-	2.0	3.6	239.3	-	(1.6)	(3.7)
Cash flow hedges								
Interest rate risk	2025			2024				
	Change in fair value of hedged item in the year used for hedge ineffectiveness measurement	Cash flow hedge reserve		Change in fair value of hedged item in the year used for hedge ineffectiveness measurement	Cash flow hedge reserve			
		Continuing hedges	Discontinued hedges		Continuing hedges	Discontinued hedges		
£m	£m	£m	£m	£m	£m	£m	£m	
Gross floating rate liabilities*	3.8	(0.3)	0.6	(7.1)	2.3	4.6		
Cash flow hedges								
Interest rate risk	2025				2024			
	Hedge ineffectiveness recognised in Income Statement	Effective portion recognised in other comprehensive income	Reclassified to Income Statement		Hedge ineffectiveness recognised in Income Statement	Effective portion recognised in other comprehensive income	Reclassified to Income Statement	
			Net interest income	Non-interest income			Net interest income	Non-interest income
£m	£m	£m	£m	£m	£m	£m	£m	
Gross floating rate liabilities*	-	(3.8)	-	2.7	-	7.1	-	2.1

* Highly probable future cash flows arising from loans and advances to customers

Hedge ineffectiveness

By design, the Society's hedges are expected to be economically effective, with notional balances, durations and rates on interest rate swaps agreed only where they are expected to be a good fit to the same characteristics of the underlying assets that are to be hedged. Hedge ineffectiveness can nonetheless arise from early asset repayments, imperfectly matched key terms, differences in the timing of cash flows of hedged items and hedging instruments, different interest rate curves applied to discount the hedged items and hedging instruments and the effect of changes in counterparties' credit risk on the fair values of hedging instruments. The table below provides details of the hedge ineffectiveness during the year.

	2025	2024
	£m	£m
(Losses) / gains on micro hedging accounting		
Interest rate swaps	(4.6)	10.6
Mortgage assets (loans and advances to customers)	4.3	(10.8)
(Losses) / gains on cashflow hedge accounting		
Interest rate swaps	(3.8)	7.1
Floating rate liabilities	6.5	(5.0)
(Losses) / gains on macro hedging accounting		
Interest rate swaps	(40.7)	6.7
Fair value adjustment for hedged risk on mortgages and savings	36.2	(11.5)
Total ineffectiveness recognised in the Income Statement	(2.1)	(2.9)

Hedging gains and losses are recognised in the Income Statement within 'gains less losses on financial instruments and hedge accounting'. There were no unexpected sources of hedge ineffectiveness during the year.

Fair value gains less losses on financial instruments and hedge accounting recognised in the income statement

	Group		Society	
	2025	2024	2025	2024
	£m	£m	£m	£m
Fair value movement on loans and advances to customers held at FVTPL	(1.3)	(5.8)	(1.3)	(5.8)
Fair value movement on derivative financial instruments in economic relationship with loans and advances to customers held at FVTPL but not in accounting hedge relationships	(0.6)	10.7	(0.6)	10.7
Interest expense on derivative financial instruments in economic relationship with loans and advances to customers held at FVTPL but not in accounting hedge relationships	(1.3)	-	(1.3)	-
Fair value movement on derivative financial instruments in other economic but not in accounting hedge relationships	(1.1)	3.3	(2.6)	3.3
Hedge ineffectiveness on accounting hedges	(2.1)	(2.9)	(2.1)	(2.9)
Revaluation of investments	(0.1)	(0.4)	-	-
Fair value gains less losses on financial instruments and hedge accounting	(6.5)	4.9	(7.9)	5.3

Cash flow hedging reserve

	Group and Society	
	2025	2024
	£m	£m
Balance at 1 January	5.1	1.4
Reclassification of hedging losses to Income Statement	(2.0)	(2.1)
Reclassification of hedging gains to income statement for which the hedged future cashflows are no longer expected to occur	(0.7)	-
Fair value changes recognised in equity	(3.8)	7.1
Deferred tax on cash flow hedges	1.6	(1.3)
Balance at 31 December	0.2	5.1

All transactions and balances included within the cash flow hedging reserve are related to interest rate swaps.

38. Credit risk: Impairment methodologies

Credit risk is the risk that a customer or counterparty is unable to honour their repayment of obligations as they fall due. The credit risk to which the Group is exposed is described in the Risk Management Report.

The Group's policy with respect to accounting for impairment of financial assets is given in Note 1. This note describes the practical application of this policy.

The Group Risk Committee maintain oversight of the Credit Risk Committee. The Credit Risk Committee is responsible for the monitoring of the Group's exposure to credit risk. Model Risk Committee is charged with oversight of the Group's IFRS 9 models and assessment and approval of its key model inputs.

Credit risk mainly arises from commercial and customer loans and advances and loan commitments arising from lending activities but also arises from the Group's investment in debt securities and exposure to third party (financial and non-financial) debtors.

Provisioning methodology

The Group monitors its lending in two tranches, Prime residential and buy-to-let lending which is in line with current lending policies and legacy lending which includes lending to housing associations, credit impaired lending, other commercial and legacy books.

Impairment calculation

The Group calculates for each mortgage exposure a forward view as to how likely that mortgage is to default at some point over its expected life. For stage 1 assets, the Group provides for losses resulting from events that may occur in the following 12 months. For stage 2 and stage 3 assets, the Group provides for losses that may occur at any time in the life of the mortgage.

12 months and lifetime expected credit losses are calculated by the Group as the discrete losses that would likely be incurred (considering mortgage exposure against the expected sale value of the mortgaged property) if a mortgage defaulted on any of a large range of future dates. Each discrete provision needs to be assigned a probability of default weighting in order to calculate one overall lifetime expected credit loss. As such, a continuous forward view to the probability of default is calculated.

Prime residential and buy-to-let

Key impairment model inputs, assumptions and estimation techniques

The Group calculates its probability of default (PD) as follows:

- The Group has undertaken a detailed assessment of more than 12 years of its internal credit risk data to determine the core factors that lead to borrower default.
- Default indicators identified include granting of forbearance, evidence of mortgage fraud, borrowers falling into more than 3 months arrears, borrower insolvency or bankruptcy and voluntary repossession of property. These are used in the staging assessment above to assist in the classification of borrowers as stage 1, stage 2 or stage 3.
- The Group's assessment also considers wider patterns of default, analysing historic borrower defaults by their maturity (how long a mortgage had been held by the Group), vintage (during which original time period the Group lent to a borrower) and considering exogenous factors in play at the time of default (external factors including the interest rate environment, unemployment rates, UK (nominal) GDP and house price index).
- The exogenous, maturity and vintage (EMV) factors are used to derive point in time and forward-looking probability of default curves: projecting historical information about defaults suffered under known 'EMV conditions' forward in combination with the Group forward views on the wider macroeconomic environment (as this will influence the forward view on how exogenous factors may develop over time). In combination, these curves form the Group's forward-looking probability of default curve, as calculated under the EMV model.

The Group calculates its exposure at default (EAD) as follows:

- The Group projects mortgage balances forward to give an estimate of each borrower's mortgage balance over time. This factors in forecast interest additions and expected borrower payments alongside an estimate of the value of each borrower's property collateral throughout a long-term forecast. An adjustment is made to uplift the Group's exposure to borrowers to simulate a typical borrower default of 3 missed monthly payments plus typical fees associated with arrears.
- The output is a per-mortgage forward projection of mortgage balances.

The Group calculates its expected loss given default (LGD) as follows:

- The Group calculates a per-mortgage LGD, an estimate of the proportion of each mortgage loan exposure that is believed to be at risk if the borrower defaults on their obligation to repay the outstanding capital and interest and the property is subsequently possessed and sold.
- LGD is calculated as the probability of possession given the default of a borrower (PPD) which estimates the likelihood of possession following default multiplied by the expected shortfall on each mortgage: an estimation of the difference between the exposure at default (as discussed above) and the sale price of the property, net of relevant sales costs.

The Group calculates expected credit loss provisions as PD * EAD * LGD:

- The Group calculates a final provision for each mortgage as the probability of default multiplied by the amount the Group expects to lose in the event of a default.
- As discussed above, this is not static or a point in time loss: the Group calculates PD, EAD and LGD across a continuous forward planning horizon. The final provision number is not a singular PD*EAD*LGD, it reflects the discounted overall expected loss that could be incurred over the life of each mortgage: a weighted average of multiple possible future loss events.

Multiple economic scenarios

IFRS 9 expects more than one scenario to be considered when calculating expected credit losses. The Group applies this principle by assessing the provisions required under four separate macroeconomic forecasts. These macroeconomic forecasts feed into the exogenous component of the Group's EMV models.

The Group runs:

- Base scenario: uses as a reference the average HM Treasury short term forecast for the UK economy for the first 2 years and then the medium term forecasts for 2026 onwards.
- Upside scenario: uses as a reference the most positive HM Treasury short and medium term forecasts for the UK economy.
- Downside scenario: uses the most negative short and medium term HM treasury forecasts.
- Stress scenario: a severely negative scenario, developed with reference to the Bank of England's annual concurrent stress test scenarios for the largest UK banks and building societies.

The Group's final expected credit losses are the losses calculated under each discrete scenario, multiplied by a likelihood factor, or scenario weighting. The weightings at 31 December 2025 were as follows:

Scenario weightings	Upside	Base	Downside	Stress
2025	10%	40%	40%	10%
2024	10%	40%	40%	10%

Key macroeconomic information

The Group considers the following to be the key macroeconomic and forward view inputs to its impairment models:

- UK unemployment rate
- UK house price index
- UK household income
- Bank of England base rate
- UK nominal gross domestic product

The Group's assessments as to which variables are key has not changed in the current year. Quarterly updates to the variables themselves to reflect the most recent market information have been reflected in the Group's impairment results.

Changes to Economic scenarios

Against the uncertainty in the UK economy, the Group have developed new economic scenarios for the credit loss provision model, using the most recent industry data, forecasts and benchmarks available at the time of development.

The Group's IFRS 9 model is most sensitive to forecasted house price growth and unemployment, which are summarised below.

		31 December 2025					
Scenario	Economic measure	2025	2026	2027	2028	2029	2030
Upside	Unemployment rate, %	4.6	4.1	3.7	3.6	3.6	3.9
	House price growth, % pa	3.6	3.6	5.5	7.6	6.5	6.7
Base	Unemployment rate, %	4.7	5.0	4.9	4.8	4.7	4.7
	House price growth, % pa	3.0	1.7	2.6	3.1	3.8	3.0
Downside	Unemployment rate, %	5.3	6.3	6.8	6.7	6.4	6.5
	House price growth, % pa	-	(5.2)	(1.8)	1.9	7.0	2.7
Severe downside	Unemployment rate, %	6.0	6.7	7.4	7.3	7.0	7.0
	House price growth, % pa	(1.2)	(8.5)	(4.8)	(0.4)	7.3	1.1
Weighted*	Unemployment rate, %	5.1	5.6	5.8	5.7	5.5	5.6
	House price growth, % pa	1.5	(1.9)	0.4	2.7	5.7	3.0

		31 December 2024					
Scenario	Economic measure	2024	2025	2026	2027	2028	2029
Upside	Unemployment rate, %	4.2	3.5	3.1	3.0	3.1	3.1
	House price growth, % pa	2.2	4.2	4.2	4.4	4.1	4.1
Base	Unemployment rate, %	4.2	4.4	4.4	4.3	4.1	4.1
	House price growth, % pa	1.7	2.3	2.0	2.6	2.7	2.7
Downside	Unemployment rate, %	4.5	6.4	6.9	6.6	6.3	6.3
	House price growth, % pa	1.7	(3.3)	(7.1)	(3.6)	3.5	3.5
Severe downside	Unemployment rate, %	4.5	7.9	9.7	8.2	7.4	7.4
	House price growth, % pa	(0.4)	(12.6)	(11.5)	(2.5)	2.7	2.7
Weighted*	Unemployment rate, %	4.4	5.4	5.8	5.5	5.2	5.2
	House price growth, % pa	1.5	(1.2)	(2.7)	(0.2)	3.1	3.1

*Expected credit losses are calculated for each loan in each scenario and then probability weighted, so the weighted figure presented above is for illustrative purposes only.

Post model adjustments

The Group recognises post model adjustments when it identifies risks which are not addressed by its core impairment model. Emerging risks are regularly considered by the Group Risk Committee and if necessary, a post model adjustment is recognised. During the year post model adjustments in relation to fire safety and cladding risk and affordability were removed; the risks associated with these matters do not materially increase the risk of losses (2024: £0.3m and £0.6m, respectively).

Climate change

There have been no observed climate change related defaults and therefore no identifiable increases in credit risk. A post model adjustment of £0.2m (2024: £0.1m) has been recognised for the risk of losses from reduction in property values that are most at risk due to climate change.

Commercial and other legacy books

Commercial and other legacy books are managed by the commercial lending department and includes properties secured on commercial property, buy-to-let customers which would now be outside of the Group's lending policy and loans secured on serviced apartments.

Impairment calculation and key impairment model inputs

The calculation used to determine the provisions for legacy mortgage contracts is similar to that used for the prime residential book. Provisions are determined as probability of default (PD) * exposure at default (EAD) * loss given default (LGD). Please see explanations of each of these terms above.

The main difference between the prime residential and the legacy books consists in the way model inputs are determined. Due to the nature and the small size of the legacy books, the most significant model inputs are determined manually on a mortgage-by-mortgage basis or for small groups of mortgages.

For each mortgage contract, the Group applies its specific knowledge of the customer and the property on an individual basis, as well as its understanding of the sector to determine a forward view as to how likely that mortgage is to default at some point over its expected life for stage 2 mortgages, or due to events occurring in the following 12 months in the case of stage 1 accounts.

Loss given default is calculated based on a sector specific discount to the property's current indexed valuation. The discount reflects management's confidence about the sector's prospects in the current and projected future economic environment. The valuation takes into account the individual property's circumstance and the local market conditions.

Economic scenarios

The provisions booked in respect of legacy books are based on four economic scenarios, consistent with those scenarios used for residential provisioning.

The impairment provision is most sensitive to the borrower specific probability of default and the sector or property specific discount to indexed valuations at the time of disposal.

Future legacy property prices are highly uncertain and depend on the future prosperity of the UK in general, the individual sector the property can be used for, local economic conditions, the remaining duration of the current lease agreement, and the strength of the current tenant.

For loans secured on legacy lending properties, the following (increases) / reductions to valuations were applied:

Sector	31 December 2025			
	Upside	Base	Downside	Stress
Retail	10%	20%	30%	60%
Leisure	40%	50%	55%	65%
Residential	0%	0%	7-10%	14-17%
Serviced apartments	(6%)	15%	30%	60%

Sector	31 December 2024			
	Upside	Base	Downside	Stress
Retail	10%	20%	30%	60%
Leisure	40%	50%	55%	65%
Residential	1%	1%	14-17%	27-29%
Serviced apartments	(6%)	15%	30%	60%

Housing associations

Loans to housing associations are monitored with a range of management information used to assess the Group's ongoing exposure (which, while of extremely high credit quality remains of significant size). An open dialogue is maintained with borrowers, with the Group appraised of their status, financial results and position, and numerous other financial and risk metrics. Lending is contingent on compliance with a number of financial commitments and covenants. The Group actively monitors for potential breaches of contractual positions.

Housing associations are historically a nil loss, nil default sector and are widely considered to be Government backed in the case of financial stress. Housing association exposures have proven to be of the lowest credit risk throughout a volatile and extended recession period. The Group has no internal history of loss to draw on with respect to housing association exposures and cannot supplement its own data with loss data of its peers.

The combined effect of a well collateralised set of exposures, in an environment where the demand for housing is only increasing, with no history of default on the part of any borrower and a sincere expectation that any theoretical default would be addressed by the jurisdictional Government, leads to a conclusion that no material impairment of housing association exposures is plausibly expected.

Purchased or originated credit impaired (POCI)

It is not the Group's practice to acquire or originate POCI assets, the POCI assets held arose on the transfer of engagement from Manchester Building Society in 2023.

Debt securities

The Group monitors the external credit ratings applied to its debt security investments on a daily basis.

The Group's debt security holdings are all of investment grade or higher. The Group has therefore assessed that the credit risk on its debt security exposures has not increased significantly since initial recognition.

The Treasury Risk department runs very severe annual stressed scenarios over the residential mortgage backed securities (RMBS). The Group's policy to allow only investment grade and senior secured exposures leaves the Group highly insensitive to stressed scenarios as the waterfall structure of RMBS payments ensures continued receipt of contractual cash flows even through significantly stressed scenarios.

The Group's covered bond exposures are similarly resilient: the Group is only exposed to regulated UK covered bonds with the regulations providing for the full segregation of covered bond asset pools from the bond issuer. The regulations introduce numerous investor protections including mandatory over-collateralisation, an extensive initial application process and regular regulatory stress testing and supervisory monitoring.

39. Credit risk: Expected credit losses

Quantitative impairment impact

Reconciliation table	Loss allowance at 1 January 2025	Increases due to origination and acquisition	Decreases due to derecognition	Transition between stages	Changes in credit risk	Loss allowance at 31 December 2025
	£000	£000	£000	£000	£000	£000
Prime residential						
Stage 1	498.6	243.3	(90.8)	715.9	(787.8)	579.2
Stage 2	2,534.5	775.5	(221.0)	(727.6)	(434.7)	1,926.7
Stage 3	1,751.0	34.6	(132.6)	11.7	773.6	2,438.3
Total	4,784.1	1,053.4	(444.4)	-	(448.9)	4,944.2
Buy-to-let						
Stage 1	29.5	7.1	(10.1)	27.1	(26.7)	26.9
Stage 2	218.9	16.4	(8.2)	6.8	(184.5)	49.4
Stage 3	141.0	-	(93.0)	(33.9)	8.4	22.5
Total	389.4	23.5	(111.3)	-	(202.8)	98.8
Legacy lending						
Stage 1	20.0	-	(2.8)	99.1	(102.8)	13.5
Stage 2	449.2	-	(1.5)	(99.8)	(113.2)	234.7
Stage 3	1,003.8	-	(133.2)	0.7	210.5	1,081.8
Total	1,473.0	-	(137.5)	-	(5.5)	1,330.0
Purchased credit impaired lending						
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	(98.7)	(98.7)
Total	-	-	-	-	(98.7)	(98.7)
Housing association						
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total	-	-	-	-	-	-
Total						
Stage 1	548.1	250.4	(103.7)	842.1	(917.3)	619.6
Stage 2	3,202.6	791.9	(230.7)	(820.6)	(732.4)	2,210.8
Stage 3	2,895.8	34.6	(358.8)	(21.5)	893.8	3,443.9
Total	6,646.5	1,076.9	(693.2)	-	(755.9)	6,274.3

Provisions of less than £0.1m (2024: provisions of £0.2m) above relate to loans and advances to customers made by a subsidiary company, secured on prime residential property.

Reconciliation table	Gross exposure at 1 January 2025	Increases due to origination and acquisition	Decreases due to derecognition	Transition between stages	Gross exposure at 31 December 2025
	£m	£m	£m	£m	£m
Prime residential					
Stage 1	3,798.4	942.5	(600.1)	121.2	4,262.0
Stage 2	655.2	192.3	(55.0)	(140.6)	651.9
Stage 3	68.0	0.7	(11.8)	19.4	76.3
Total	4,521.6	1,135.5	(666.9)	-	4,990.2
Buy-to-let					
Stage 1	300.0	30.5	(53.1)	42.0	319.4
Stage 2	78.8	4.9	(3.7)	(42.5)	37.5
Stage 3	5.9	-	(3.2)	0.5	3.2
Total	384.7	35.4	(60.0)	-	360.1
Legacy lending					
Stage 1	19.2	-	(3.4)	0.3	16.1
Stage 2	3.7	-	(0.1)	(0.5)	3.1
Stage 3	1.7	-	(0.3)	0.2	1.6
Total	24.6	-	(3.8)	-	20.8
Purchased credit impaired lending					
Stage 1	-	-	-	-	-
Stage 2	-	-	-	-	-
Stage 3	5.3	-	(1.2)	-	4.1
Total	5.3	-	(1.2)	-	4.1
Housing association					
Stage 1	179.2	-	(7.9)	-	171.3
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total	179.2	-	(7.9)	-	171.3
Total					
Stage 1	4,296.8	973.0	(664.5)	163.5	4,768.8
Stage 2	737.7	197.2	(58.8)	(183.6)	692.5
Stage 3	80.9	0.7	(16.5)	20.1	85.2
Total	5,115.4	1,170.9	(739.8)	-	5,546.5

Reconciliation table	Loss allowance at 1 January 2024	Increases due to origination and acquisition	Decreases due to derecognition	Transition between stages Restated*	Changes in credit risk	Loss allowance at 31 December 2024 Restated*
	£000	£000	£000	£000	£000	£000
Prime residential						
Stage 1	705.6	273.5	(267.5)	939.2	(1,152.2)	498.6
Stage 2	3,224.3	890.4	(239.9)	(982.1)	(358.2)	2,534.5
Stage 3	1,261.1	190.9	(100.4)	42.9	356.5	1,751.0
Total	5,191.0	1,354.8	(607.8)	-	(1,153.9)	4,784.1
Buy-to-let						
Stage 1	114.8	45.4	(36.9)	(54.5)	(39.3)	29.5
Stage 2	301.4	31.9	(7.2)	56.8	(164.0)	218.9
Stage 3	225.7	-	(197.4)	(2.3)	115.0	141.0
Total	641.9	77.3	(241.5)	-	(88.3)	389.4
Legacy lending						
Stage 1	95.5	-	(80.6)	86.3	(81.2)	20.0
Stage 2	1,114.9	-	(292.8)	(86.3)	(286.6)	449.2
Stage 3	343.6	575.4	(1.5)	-	86.3	1,003.8
Total	1,554.0	575.4	(374.9)	-	(281.5)	1,473.0
Purchased credit impaired lending						
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	244.7	-	(26.8)	-	(217.9)	-
Total	244.7	-	(26.8)	-	(217.9)	-
Housing association						
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total	-	-	-	-	-	-
Total						
Stage 1	915.9	318.9	(385.0)	971.0	(1,272.7)	548.1
Stage 2	4,640.6	922.3	(539.9)	(1,011.6)	(808.8)	3,202.6
Stage 3	2,075.1	766.3	(326.1)	40.6	339.9	2,895.8
Total	7,631.6	2,007.5	(1,251.0)	-	(1,741.6)	6,646.5

*The above balances have been re-presented since 31 December 2024 due to a misallocation of post model adjustments between the different stages. This results in a decrease in prime residential stage 1 loss allowances of £221,000, with a corresponding increase to prime residential stage 2 loss allowances and a decrease in buy-to-let stage 1 loss allowances of £95,700 with a corresponding increase to buy-to-let stage 2 loss allowances. There is no impact on the total loss allowance.

Reconciliation table	Gross exposure at 1 January 2024	Increases due to origination and acquisition	Decreases due to derecognition Restated (1)	Transition between stages Restated (2)	Gross exposure at 31 December 2024 Restated
	£m	£m	£m	£m	£m
Prime residential					
Stage 1	3,248.4	922.1	(539.8)	167.7	3,798.4
Stage 2	720.8	171.2	(47.4)	(189.4)	655.2
Stage 3	50.6	2.9	(7.2)	21.7	68.0
Total	4,019.8	1,096.2	(594.4)	-	4,521.6
Buy-to-let					
Stage 1	292.6	40.4	(53.2)	20.2	300.0
Stage 2	90.4	10.0	(1.4)	(20.2)	78.8
Stage 3	6.6	-	(0.7)	-	5.9
Total	389.6	50.4	(55.3)	-	384.7
Legacy lending					
Stage 1	27.4	-	(9.8)	1.6	19.2
Stage 2	6.9	-	(1.6)	(1.6)	3.7
Stage 3	1.0	0.7	-	-	1.7
Total	35.3	0.7	(11.4)	-	24.6
Purchased credit impaired lending					
Stage 1	-	-	-	-	-
Stage 2	-	-	-	-	-
Stage 3	7.7	-	(2.4)	-	5.3
Total	7.7	-	(2.4)	-	5.3
Housing association					
Stage 1	211.9	-	(32.7)	-	179.2
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total	211.9	-	(32.7)	-	179.2
Total					
Stage 1	3,780.3	962.5	(635.5)	189.5	4,296.8
Stage 2	818.1	181.2	(50.4)	(211.2)	737.7
Stage 3	65.9	3.6	(10.3)	21.7	80.9
Total	4,664.3	1,147.3	(696.2)	-	5,115.4

1. The above balances have been re-presented since 31 December 2024 to reclassify £1.9m of gross loan balances in legacy lending and prime residential mortgages, resulting in a £1.9m decrease to prime residential stage 1 mortgages and a corresponding increase to stage 1 legacy lending mortgages. There is no impact on total gross mortgage balances.
2. The above balances have been re-presented since 31 December 2024 due to a misallocation of post model adjustments between the different stages. This results in an increase in prime residential stage 1 mortgages of £226.3m with a corresponding decrease to prime residential stage 2 mortgages and an increase in buy-to-let stage 1 mortgages of £50.7m with a corresponding decrease to buy-to-let stage 2 mortgages. There is no impact on the total gross mortgage balances.

The gross carrying values above reflect the Group's maximum exposure to credit risk at 31 December 2025 and 31 December 2024 without taking into account any collateral held or provisions made against expected loss.

There has been no material movement in loss allowances held against other financial assets during 2025. Debt securities held remain of very high credit quality at 31 December 2025 and the Group is not exposed to any significant value or volume of overdue trade receivables.

Risk exposures by credit grade for residential lending

Across the Group's prime residential and buy-to-let mortgage exposures, provisions may be disaggregated by detailed probability of default ranges as follows:

2025 Lifetime PD %	Exposure			Provision			Provision coverage ratio		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	£m	£m	£m	£000	£000	£000	%	%	%
0.0% - 1.0%	44.4	-	-	0.3	-	-	-	-	-
1.0% - 2.0%	1,874.2	0.2	-	131.5	-	-	0.01	-	-
2.0% - 3.0%	1,746.0	0.1	-	305.5	-	-	0.02	-	-
3.0% - 4.0%	147.7	0.1	-	3.1	-	-	-	-	-
4.0% - 5.0%	517.1	-	-	124.7	-	-	0.02	-	-
5.0% - 6.0%	17.8	0.1	-	0.6	-	-	-	-	-
6.0% - 7.0%	4.3	0.6	-	-	-	-	-	-	-
7.0% - 8.0%	1.9	0.3	-	-	-	-	-	-	-
8.0% - 9.0%	5.6	5.3	-	0.6	0.7	-	0.01	0.01	-
9.0% - 10.0%	6.5	21.7	-	0.1	1.0	-	-	-	-
10.0% - 100.0%	186.8	654.8	69.6	139.1	1,972.4	2,084.1	0.07	0.30	2.99
Total	4,552.3	683.2	69.6	705.5	1,974.1	2,084.1	0.02	0.29	2.99

The table above excludes gross mortgage balances of £45.2m with a provision of £0.3m for which no lifetime probability of default is available. This includes £43.0m of mortgages originating in Manchester Building Society, for which probability of default bands were estimated based on external credit data.

2024 Lifetime PD %	Exposure			Provision			Provision coverage ratio		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Restated (1) £m	Restated (1) £m	£m	Restated (2) £000	Restated (2) £000	£000	Restated %	Restated %	%
0.0% - 1.0%	48.8	0.5	-	0.3	0.9	-	-	0.18	-
1.0% - 2.0%	1,713.4	41.9	-	112.5	77.6	-	0.01	0.19	-
2.0% - 3.0%	1,582.9	55.5	-	184.2	116.8	-	0.01	0.21	-
3.0% - 4.0%	132.4	10.0	-	7.2	9.1	-	0.01	0.09	-
4.0% - 5.0%	422.6	24.1	-	111.5	77.7	-	0.03	0.32	-
5.0% - 6.0%	3.4	-	-	0.1	-	-	-	-	-
6.0% - 7.0%	2.9	0.3	-	0.1	-	-	-	-	-
7.0% - 8.0%	5.6	0.3	-	-	-	-	-	-	-
8.0% - 9.0%	4.0	6.3	-	0.1	2.3	-	-	0.04	-
9.0% - 10.0%	12.1	23.0	-	1.5	12.6	-	0.01	0.05	-
10.0% - 100.0%	135.9	564.6	58.3	110.0	2,456.4	1,216.5	0.08	0.44	2.09
Total	4,064.0	726.5	58.3	527.5	2,753.4	1,216.5	0.01	0.38	2.09

- The above balances have been re-presented since 31 December 2024 to reclassify gross mortgage balances between stages, resulting in a £275.1m increase in stage 1 gross mortgage balance and a £277.0m decrease in stage 2 gross mortgage balances.
- The above balances have been re-presented since 31 December 2024 to reclassify provisions between stages, resulting in a £317,000 decrease in stage 1 provisions and a corresponding decrease in stage 2 provisions.

The provision coverage ratios for stage 1 and stage 2 have been restated following the above re-presentations.

The table above excludes gross mortgage balances of £57.5m, with a provision of £0.7m for which no lifetime probability of default is available. This includes £52.0m of mortgages originating in Manchester Building Society, for which probability of default bands were estimated based on external credit data.

Lifetime probability of default indicates the percentage change that a loan will trigger any of the stage 3 indicators, as detailed above, over the life of the loan and does not alone indicate a likelihood that the default will result in any significant loss to the Group.

The comparatively small provisions coverage reflects the capacity for property collateral to effectively mitigate the Group's ultimate exposure to loss.

Provisions against other financial assets are not considered to be sufficiently material to warrant further detailed analysis.

Provisions against commercial and legacy buy-to-let mortgages are not presented by risk grade as legacy exposures are assessed for impairment on an individual basis by the commercial lending department.

Sensitivity of the credit loss provisions to key assumptions

The Group's residential and buy-to-let mortgage provisions are most sensitive to forecasted house price growth and unemployment rates. A 5% increase / decrease to house price growth assumptions over the next two years would result in a £0.2m / £(0.3)m decrease / increase on the residential and buy-to-let provisions balances at 31 December 2025. A 2% increase / decrease to unemployment rate assumptions over the next two years would have a £0.2m / £(0.2)m increase / decrease on the residential and buy-to-let provisions balances at 31 December 2025.

The Group's mortgage provisions reflect probability weighted scenarios run across its mortgage books and are sensitive to the probabilities applied accordingly. Provisions are most sensitive to increases in the downside and stress scenarios probabilities; the tables below outline the sensitivity of the credit loss provisions to 100% weighted economic scenarios:

2025	Residential and buy-to-let	Legacy lending
	£m	£m
Actual	5.0	1.2
Upside	2.8	0.8
Base	3.7	1.1
Downside	5.7	1.3
Stress	7.6	1.9

2024	Residential and buy-to-let	Legacy lending
	£m	£m
Actual	5.2	1.4
Upside	2.9	0.6
Base	3.5	1.1
Downside	5.8	1.6
Stress	10.0	2.4

Equity release portfolio

The Group's equity release portfolio is accounted for at fair value. Its fair value includes any allowances for credit risk. Further information on the fair value of the equity release portfolio, including sensitivity analysis is included in notes 13 and 32.

40. Credit quality

The Group's mortgage lending is all secured with a first charge registered against the collateral property. This includes the Group's equity release mortgages. The average loan to value of the Group's loan portfolios at 31 December 2025 is 68.1% (2024: 67.7%) as detailed in the Strategic Report. Quarterly regional Halifax House Price Index data is used to monitor the value of residential collateral. The contractual capacity to recover defaulted mortgage contracts through the sale of property collateral acts significantly to reduce the Group's risk of loss.

The credit quality of the Group's residential loans is considered to be excellent with the loans continuing to perform and arrears being below industry averages. At 31 December 2025 there were 45 loans in 12 months arrears or more with balances of £8.9m (2024: 42 loans totalling £4.3m).

The percentage of mortgages in arrears by 3 months or more remains at low levels for 2025. Overall, by number of loans in arrears we have seen a decrease of 0.11% to 0.83%, and by balance we have seen an increase of 0.02% to 0.86%.

The Group's non-impaired commercial loan assets are also considered to be of a good credit quality.

Further specifics by type of mortgage lending are as follows:

Prime residential mortgage book

The prime residential mortgage book consists of traditional residential loans. No sub-prime or self-certification lending has been undertaken.

	2025	2025	2024	2024
	£m	%	Restated	Restated
Loan to value (indexed)			£m	%
<70%	2,698.7	54.2	2,555.1	56.4
70% - <80%	880.4	17.6	758.2	16.8
80% - <90%	1,004.8	20.1	802.9	17.8
>90%	406.3	8.1	405.4	9.0
	4,990.2	100.0	4,521.6	100.0

	2025	2025	2024	2024
	£m	%	Restated	Restated
Payment status			£m	%
Not past due	4,896.5	98.1	4,446.1	98.3
Past due up to 3 months	47.8	1.0	41.1	0.9
3 to 6 months past due	16.6	0.3	18.0	0.4
Over 6 months past due	26.8	0.5	15.5	0.3
In possession	2.5	0.1	0.9	0.1
	4,990.2	100.0	4,521.6	100.0

*The above balances have been re-presented since 31 December 2024 to reclassify £1.9m of gross loan balances in legacy lending and prime residential mortgages, resulting in a £1.9m decrease to prime residential mortgages and a corresponding increase to legacy lending mortgages. There is no impact on total gross mortgage balances.

The Group continued to experience a low level of possessions on residential loans and Law of Property Act (LPA) receiver appointments. At the end of 2025 the Group had 16 prime residential properties in possession or subject to LPA receivership (2024: five possession properties).

Against past due and possession cases, £178.6m (2024: £152.4m) collateral is held. No loans that would be past due or impaired have had their terms renegotiated.

The Group offers a range of forbearance measures to customers such as payment breaks and reductions, transfers to interest only products and other support. The Group granted forbearance against 154 residential loans in 2025 (2024: 168), with no alteration made to the contractual rates of interest and balances totalling £27.4m at 31 December 2025 (2024: £27.2m), this did not lead to any modification gain or loss as a result of short-term forbearance granted. Provisions of £0.4m (2024: £0.7m) are held against residential mortgages that were granted forbearance during the year.

The increase in indexed loan to value in the prime residential mortgage book is due to reductions in house prices since the origination of the mortgages.

Retail buy-to-let mortgage book

The retail buy-to-let (BTL) mortgage book consists of buy-to-let to individuals <£1m.

	2025	2025	2024	2024
	£m	%	£m	%
Loan to value (indexed)				
<70%	266.1	73.9	300.8	78.2
70% - <80%	82.1	22.8	72.9	18.9
80% - <90%	11.7	3.2	10.0	2.6
>90%	0.2	0.1	1.0	0.3
	360.1	100.0	384.7	100.0

	2025	2025	2024	2024
	£m	%	£m	%
Payment status				
Not past due	354.1	98.3	377.3	98.0
Past due up to 3 months	4.1	1.1	4.2	1.1
3 to 6 months past due	0.6	0.2	0.6	0.2
Over 6 months past due	1.3	0.4	2.4	0.6
In possession / LPA receivership	-	-	0.2	0.1
	360.1	100.0	384.7	100.0

At the end of 2025 the Group had no BTL possession properties or properties whose exposure was being managed by a Law of Property Act receiver (2024: one).

Against past due and possession cases, £11.4m (2024: £16.8m) collateral is held.

No loans that would be past due or impaired have had their terms renegotiated.

The Group offers a range of forbearance measures to customers such as payment breaks and reductions, transfers to interest only products and other support. The Group granted forbearance against three retail BTL loans in 2025 (2024: five loans). With no alteration made to the contractual rates of interest and balances totalling £0.9m at 31 December 2025 (2024: £1.3m) leading to no modification gain or loss recorded as a result of short-term forbearance granted. No provisions are held against BTL mortgages that were granted forbearance during the year (2024: £nil).

Equity release mortgages denominated in £

The below analysis shows gross loan balances of equity release mortgage lending excluding fair value adjustments.

	2025	2025	2024	2024
	£m	%	£m	%
Loan to value (indexed)				
<70%	127.4	92.6	135.7	94.4
70% - <80%	6.4	4.7	4.4	3.1
80% - <90%	2.1	1.5	1.5	1.0
>90%	1.6	1.2	2.2	1.5
	137.5	100.0	143.8	100.0

	2025	2025	2024	2024
	£m	%	£m	%
Payment status				
Not past due	136.7	99.4	143.5	99.8
Over 6 months past due	0.4	0.3	-	-
In possession / LPA receivership	0.4	0.3	0.3	0.2
	137.5	100.0	143.8	100.0

At the end of 2025 the Group had three possession properties in relation to equity release mortgages (2024: three).

Equity release mortgages denominated in €

The below analysis shows gross loan balances of equity release mortgage lending excluding fair value adjustments.

	2025	2025	2024	2024
Loan to value (indexed)	€m	%	€m	%
<70%	4.0	9.5	3.4	8.4
70% - <80%	5.5	13.1	4.9	12.0
80% - <90%	7.6	18.1	5.2	12.8
>90%	24.9	59.3	27.2	66.8
	42.0	100.0	40.7	100.0

	2025	2025	2024	2024
Payment status	€m	%	€m	%
Not past due	42.0	100.0	40.7	100.0
	42.0	100.0	40.7	100.0

Legacy lending books

The legacy lending books comprises the following:

	2025	2025	2024	2024
Legacy Lending	£m	%	Restated* £m	Restated* %
Commercial property	3.5	1.8	3.9	1.9
Serviced apartments	12.5	6.3	13.9	6.7
Legacy buy-to-let	3.9	2.0	5.8	2.8
Policy loans	0.9	0.5	1.0	0.5
	20.8	10.6	24.6	11.9
Purchased credit impaired	4.1	2.1	5.3	2.5
Loans to housing associations	171.3	87.3	179.2	85.6
	196.2	100.0	209.1	100.0

*These balances have been re-presented to reclassify £1.9m of gross loan balances, as outlined on page 167.

	2025	2025	2024	2024
Loan to value (indexed)	£m	%	Restated* £m	Restated* %
<70%	9.0	43.3	12.2	49.6
70% - <80%	6.9	33.1	7.4	30.1
80% - <90%	3.9	18.8	5.0	20.3
>90%	1.0	4.8	-	-
	20.8	100.0	24.6	100.0

Payment status

	2025	2025	2024	2024
	£m	%	Restated* £m	Restated* %
Not past due	19.8	95.2	23.7	96.4
Past due up to 3 months	-	-	0.4	1.6
LPA receivership	1.0	4.8	0.5	2.0
	20.8	100.0	24.6	100.0

*These balances have been re-presented to reclassify £1.9m of gross loan balances, as outlined on page 167.

Diversification by industry type

	2025	2025	2024	2024
	£m	%	Restated* £m	Restated* %
Hotel / leisure	0.2	1.0	1.3	5.3
Specialist buy-to-let	3.9	18.8	5.8	23.6
Serviced Apartments	12.5	60.0	13.9	56.5
Other	4.2	20.2	3.6	14.6
	20.8	100.0	24.6	100.0

*These balances have been re-presented to reclassify £1.9m of gross loan balances, as outlined on page 167.

At 31 December 2025, the Group had £1.0m of legacy lending loans in arrears of 3 months or more (2024: £0.9m). No loan that would be past due or impaired had their terms renegotiated.

The Group had three legacy loans in possession or subject to LPA receivership at the end of 2025 (2024: two).

The Group did not grant forbearance against any loans secured on property in 2025 (2024: none).

Loans to housing associations

	2025	2025	2024	2024
Loan to value (indexed)	£m	%	£m	%
<70%	82.6	48.2	66.9	37.3
70% - <80%	88.7	51.8	112.3	62.7
	171.3	100.0	179.2	100.0

Loans to housing associations are secured on residential property. No housing association loans are past due or impaired.

Purchased or originated credit impaired loans (POCI)

The below analysis shows the status of the Group's POCI loans and how they are distributed across loan to value bands.

	2025	2025	2024	2024
	£m	%	£m	%
Gross exposure	7.8	100.0	7.4	100.0
Fair value adjustment	(3.7)	(47.3)	(2.1)	(28.4)
	4.1	52.7	5.3	71.6
	2025	2025	2024	2024
Loan to value (indexed)	£m	%	£m	%
<70%	1.7	41.5	2.8	52.8
70% - <80%	0.1	2.4	-	-
80% - <90%	1.5	36.6	1.4	26.4
>90%	0.8	19.5	1.1	20.8
	4.1	100.0	5.3	100.0
	2025	2025	2024	2024
Payment status	£m	%	£m	%
Not past due	1.6	39.0	2.2	41.5
3 to 6 months past due	-	-	0.1	1.9
Over 6 months past due	1.8	43.9	1.8	34.0
In possession / LPA receivership	0.7	17.1	1.2	22.6
	4.1	100.0	5.3	100.0

The Group had two POCI loans in possession or subject to LPA receivership at the end of 2025 (2024: two).

POCI loans relate to legacy residential and commercial lending which was acquired credit impaired as part of the merger with Manchester Building Society.

Geographical split of lending

The table below provides a breakdown of the geographic concentration of the Group's prime residential and buy-to-let mortgage portfolios at 31 December 2025. The Group's mortgage portfolio is diversified across the UK.

Region	Prime Residential	Buy-to-let	Total	Total
	£m	£m	£m	%
North East	494.7	7.5	502.2	9.4
East of England	413.5	39.8	453.3	8.5
East Midlands	351.0	14.4	365.4	6.8
Northern Ireland	1.4	0.1	1.5	-
North West	580.9	21.1	602.0	11.3
Scotland	558.5	7.8	566.3	10.6
South East	668.9	66.8	735.7	13.7
South West	414.3	22.5	436.8	8.2
Wales	168.4	6.5	174.9	3.3
West Midlands	372.3	16.8	389.1	7.3
Yorkshire	422.7	12.0	434.7	8.1
London	539.4	144.8	684.2	12.7
Other	4.2	-	4.2	0.1
Total	4,990.2	360.1	5,350.3	100.00

41. Liquidity risk

Liquidity risk is the risk that the Group has insufficient funds to meet its obligations as they fall due. This risk is managed on a Group basis (including all subsidiary entities) with day-to-day responsibility delegated to the Group's Treasury department with oversight by the Assets and Liabilities Committee, the Group Risk Committee and the Board.

Management of Liquidity risk

The Group ensures it holds sufficient quality and quantity of liquidity to remain liquid after a severe but plausible stress. In addition, it assesses its liquidity position and risks through an annual Internal Liquidity Adequacy Assessment Process (ILAAP) in line with regulatory requirements. Cash flow forecasts are used to forecast liquidity, ensuring future compliance with limits set by the Board. Wherever appropriate, the Group ensures it takes any necessary steps to ensure it has access to any available Bank of England Schemes designed to support financial institutions.

Liquidity resources

The Group's liquidity resources include funds in cash accounts held in the Bank of England reserve account and other easily marketable assets and contingent liquidity. The Group monitors the requirements of the Liquidity Coverage Ratio (LCR), which measures unencumbered high quality liquid assets as a percentage of net cash outflows over a 30 day stress period, on a weekly basis for compliance against the regulatory minimum of 100%. At 31 December 2025 the LCR was 180% (2024: 229%).

Contractual maturity profile of financial assets and liability

The table below analyses the contractual cash flows of financial assets and financial liabilities based on the remaining contractual life to the maturity date. The contractual maturity will differ to actual payments; for example, most on demand customer deposits will be repaid later than the earliest date on which repayment can be requested and mortgages may be repaid ahead of their contractual maturity.

At 31 December 2025	Repayable on demand	Up to 3 months	3-12 months	1-5 years	More than 5 years	Total
	£m	£m	£m	£m	£m	£m
Assets						
Cash and balances with the Bank of England	177.3	-	-	-	-	177.3
Loans and advances to credit institutions	146.2	-	-	-	-	146.2
Debt securities	-	17.5	38.3	744.4	59.0	859.2
Derivative financial instruments	-	0.7	8.1	6.4	1.7	16.9
Loans and advances to customers	-	17.8	17.9	247.5	5,431.0	5,714.2
Other financial assets	-	4.9	-	-	-	4.9
Total financial assets	323.5	40.9	64.3	998.3	5,491.7	6,918.7
Liabilities						
Due to Members	5,172.1	167.5	381.5	161.3	0.3	5,882.7
Due to other customers	87.5	47.2	27.1	2.0	-	163.8
Deposits from credit institutions	1.4	40.1	117.4	-	-	158.9
Derivative financial instruments	-	0.1	5.4	21.5	17.5	44.5
Debt securities in issue	-	1.7	-	-	321.7	323.4
Other financial liabilities	-	2.2	0.7	2.6	4.2	9.7
Total financial liabilities	5,261.0	258.8	532.1	187.4	343.7	6,583.0
Net liquidity gap (contractual)	(4,937.5)	(217.9)	(467.8)	810.9	5,148.0	335.7

At 31 December 2024	Repayable on demand	Up to 3 months	3–12 months	1–5 years	More than 5 years	Total
	£m	£m	£m	£m	£m	£m
Assets						
Cash and balances with the Bank of England	451.5	-	-	-	-	451.5
Loans and advances to credit institutions	101.8	-	-	-	-	101.8
Debt securities	-	36.1	95.8	426.3	44.1	602.3
Derivative financial instruments	-	0.7	4.2	40.5	11.2	56.6
Loans and advances to customers	-	12.9	45.3	260.3	4,970.8	5,289.3
Other financial assets	-	4.3	0.6	0.3	-	5.2
Total financial assets	553.3	54.0	145.9	727.4	5,026.1	6,506.7
Liabilities						
Due to Members	4,728.4	152.7	378.2	173.4	-	5,432.7
Due to other customers	131.7	78.0	30.3	1.0	-	241.0
Deposits from credit institutions	31.0	100.8	285.8	-	-	417.6
Derivative financial instruments	-	0.5	0.7	4.1	24.1	29.4
Other financial liabilities	-	1.8	0.8	3.0	3.4	9.0
Total financial liabilities	4,891.1	333.8	695.8	181.5	27.5	6,129.7
Net liquidity gap (contractual)	(4,337.8)	(279.8)	(549.9)	545.9	4,998.6	377.0

42. Capital Risk

Capital risk is the risk that the Group is or becomes inadequately capitalised to address the risks to which it is exposed.

Management of Capital

The Group's policy is to maintain a strong capital base to maintain Member, creditor and market confidence and to sustain the future growth of the Group. The Group has complied with all externally imposed capital requirements and internally set limits throughout the year.

Day to day capital management is delegated to the Chief Financial Officer with oversight by the Assets and Liabilities Committee, the Group Risk Committee and the Board.

The Group assesses its capital position and risks regularly. Capital planning is an integrated part of business planning and capital forecasts and scenario analysis are performed regularly as part of business as usual.

An Internal Capital Adequacy Assessment Process (ICAAP) is produced in line with regulatory requirements. The ICAAP considers the key capital risks and the amount of capital it should retain. These requirements are assessed against the current position and throughout any forward planning. The Prudential Regulation Authority sets and monitors capital requirements for the Group. Capital adequacy is measured by comparing both current and forecast capital resources to capital requirements.

Capital stress testing is also performed as part of the ICAAP and makes sure that the Group is resilient to a range of stresses, assessing whether capital requirements would be met under severe but plausible stress scenarios and considers what mitigating actions are available to management. The Society's Recovery Plan details management actions that could be taken in case of unexpected capital shortfalls and stresses. The Recovery Plan is tested and updated regularly.

For more information on how the Group is meeting its objectives for managing capital, see the capital section of the Strategic Report and the capital risk section of the Risk Management Report.

43. Country-by-Country Reporting

The reporting obligations set out in Article 89 of the European Union's Capital Requirements Directive IV (CRD IV) have been implemented in the UK by the Capital Requirements (Country-by-Country Reporting) Regulations.

Newcastle Building Society is the largest building society in the North East and the 7th largest in the UK with assets of £7.0 billion (2024: £6.6 billion).

As a mutual organisation, the Society's primary focus is its Members, and it aims to provide mortgage and savings products supported by excellent customer service. Additionally, the Society offers financial advice, as an appointed representative of Openwork, through Newcastle Financial Advisers. Outsourcing of financial services and information technology services are provided through Newcastle Strategic Solutions.

The consolidated financial statements of the Newcastle Building Society Group include the audited results of the Society and its subsidiary undertakings. The consolidated entities, their principal activities and countries of incorporation, are detailed in Note 15 to the Annual Report and Accounts.

Basis of preparation

a) Country

All of the consolidated entities were incorporated in the United Kingdom, with the exception of Newcastle Mortgage Loans (Jersey) Limited, which is incorporated and operates with no employees in Jersey.

b) Total operating income and profit before taxation

Total operating income and profit before taxation are compiled from the Newcastle Building Society Group consolidated financial statements for the year ended 31 December 2025, which are prepared in accordance with International Financial Reporting Standards (IFRS). Total operating income represents the sum of the Group's net interest income, other income, other charges and gains less losses on financial instruments and hedge accounting. Group total operating income was £156.1m (2024: £152.9m), the proportion not arising from UK-based activity is not considered material for the purpose of this disclosure.

c) Corporation tax paid

Corporation tax paid represents the net cash taxes paid to the tax authority, HMRC, during 2025. Corporation tax paid is reported on a cash basis and will normally differ from the tax expense recorded for accounting purposes due to:

- Timing differences in the accrual of tax charge. The Group makes quarterly payments on account to HMRC. Payments are made in July, October, January, and April. As the Group's accounting year runs from January to December, payments made in any financial year will not align with tax due in that financial year.
- The Society brought forward into 2025 tax losses from previous years that were used to extinguish a portion of its taxable profits in 2025.
- Other differences between when income and expenses are accounted for under IFRSs and when they become taxable.

During 2025 the Group paid £5.0m in corporation tax (2024: £2.9m).

d) Full-time equivalent employees

The average number of Group full time equivalent employees was 1,716.2 (2024: 1,671.4) all of which were employed in the UK.

e) Group profit before taxation

Group profit before taxation was £22.6m (2024: £15.7m) with a tax charge of £4.6m (2024: £0.8m tax credit). The profit before taxation and the taxation during the year relates to UK-based activity and the UK tax jurisdiction.

Other Information



Our branch network provides free-to-use community rooms



Annual Business Statement for the year ended 31 December 2025

1. Statutory percentages

	2025	Statutory
	%	%
Lending limit	1.72	25.00
Funding limit	9.89	50.00

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986. Lending limit is calculated excluding fair value adjustments for derivative values.

The lending limit measures the proportion of business assets not in the form of loans secured on residential property.

Business assets are the total assets of the Group plus allowances for losses on loans and advances less liquid assets, investment properties and property, plant and equipment as shown in the Group Balance Sheet.

The funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals.

The statutory limits are as laid down under the Building Societies Act 1986 and ensure that the principal purpose of a building society is that of making loans which are fully secured on residential property and are funded substantially by its Members.

2. Other percentages

	2025	2024
As a percentage of shares and borrowings:	%	%
Gross capital	6.57	6.57
Free capital	5.79	5.78
Liquid assets	18.11	18.97
Result for the year as a percentage of mean total assets	0.27	0.26
Management expenses as a presentage of mean total assets	1.96	1.86

The above percentages have been prepared from the Annual Accounts.

Gross capital represents the aggregate of the general reserve, FVOCI reserve, cash flow hedge reserve, other equity reserves, subordinated liabilities and subscribed capital.

Free capital represents gross capital less property, plant and equipment and investment property.

Liquid assets are as shown in the Group Balance Sheets and includes collateral.

Shares and borrowings represent the total of shares, amounts owed to credit institutions and amounts owed to other customers.

Management expenses represent the aggregate of administrative expenses and depreciation and includes expenses relation to the Group's Solutions business.

Mean total assets are the average of the 2025 and 2024 total assets.

Directors' other directorships and other interests

Directors at 31 December 2025	Date of Birth	Date of Appointment	Business Occupation
George Adam Bennett MA	10/02/1961	24/04/2019	Non-Executive Director
Other Directorships:	Darkwood Croft Management Company Ltd, MAM Properties Limited, MBS (Mortgages) Ltd		
Rory Tristan Sebastian Campbell	24/04/1978	01/06/2024	Non-Executive Director
Other Directorships:	Ignite Consulting Trustee Ltd, New Vantage Consulting Ltd		
Other interests:	Visiting Fellow of Nottingham Business School, Fellow of The Royal Society for the Encouragement of Arts, Manufactures and Commerce, Deloitte LLP - client of New Vantage Consulting Ltd		
Richard Kenneth Gabbertas MA, FCA	01/08/1959	01/12/2025	Non-Executive Director
Other Directorships:	Arbuthnot Banking Group PLC, Arbuthnot Latham & Co Ltd		
Bryce Paul Glover LLB, ACIB	03/07/1960	11/08/2017	Company Director
Other Directorships:	Newcastle Strategic Solutions Ltd, Advance Mortgage Funding Ltd, First Complete Ltd, Personal Touch Financial Services Ltd, Tenetlime Ltd, United Trust Bank Ltd		
Andrew Scott Haigh BSc	26/01/1963	27/01/2014	Building Society Chief Executive Officer
Other Directorships:	Newcastle Financial Advisers Ltd, North East Chamber of Commerce		
Christopher John Keay	21/01/1968	05/09/2025	Building Society Chief Risk Officer
Other Directorships:	Newcastle Mortgage Loans (Jersey) Ltd		
Other interests:	Treasurer of Redesdale Education Trust		
Karen McDonagh Reynolds	12/07/1972	23/04/2025	Non-Executive Director
Other Directorships:	Newcastle Strategic Solutions Ltd		
Anne Laverick BA (Business Name: Anne Shiels)	08/06/1961	07/07/2017	Non-Executive Director
Other Directorships:	Newcastle Financial Advisers Ltd, Anne Shiels Consulting Ltd		
Other interests:	Member of the Infantry Training (Catterick) Advisory Board		
James David Alexander Ramsbotham CBE, DL	30/08/1959	23/08/2021	Non-Executive Director
Other Directorships:	Newcastle Strategic Solutions Ltd, High Doctor Pasture Caravan Park Ltd, Altruism Ltd, Willan Trustee Ltd		
Other interests:	170 Tachbrook Street Management Ltd (Company Secretary), Gillian Dickinson Trust (Trustee), Sunderland University (Pro Chancellor), Durham Cathedral Finance Committee (Lay Member), Durham Cathedral Nominations Committee (Lay Member), The Rifles (Honorary Colonel), Gateshead Citizens Advice (Patron), Foundation of Light (Trustee & Vice Chair), Deputy Lieutenant for The County Durham Lord Lieutenancy, Lay Canon of Durham Cathedral (Honorary Role)		
Michael Roger Thompson BA, FCA	11/10/1961	29/01/2019	Non-Executive Director
Other Directorships:	Atlas Cloud Ltd, Newcastle United Foundation, The Clinkard Group Ltd, Clinkard Holdings Ltd, NorthStandard Ltd, NorthStandard EU Designated Activity Company, Tyne and Wear Building Preservation Trust Ltd		
Other interests:	Newcastle Building Society Pension & Assurance Scheme (Trustee and Chair), Greggs Foundation (Trustee), The Charles Urie Peat Prize Fund (Trustee), Regional Treasurer of Lord's Taverners Charity		

Documents may be served on any of the Directors c/o Addleshaw Goddard LLP, One St Peter's Square, Manchester M2 3DE. The Executive Directors have service contracts which can be terminated at any time by the Society on six months' notice. The Executive Directors' service contracts were entered into on the dates of their appointment, with the exception Andrew Haigh who previously held the role of Chief Operating Officer before his appointment to the role of Chief Executive on 1 May 2015 and Christopher Keay who has held the role of Chief Risk Officer before his appointment to Board in September 2025. There are no contracts for Non-Executive Directors and no compensatory terms for loss of office.

Principal office

Newcastle Building Society is a building society incorporated and domiciled in the United Kingdom. The address of the Society's principal office is 1 Cobalt Park Way, Wallsend, NE28 9EJ.

Glossary

Set out below are the definitions of the terms used within the Annual Report and Accounts to assist the reader and to facilitate comparison with other financial institutions:

Arrears

A customer is in arrears when they are behind in their mortgage payments. A customer is 3 months in arrears when they have missed the equivalent of 3 mortgage payments.

Administrative expenses

Expenses incurred in running the day to day activities of the Society including staff, property, marketing and technology costs.

AT1 (Additional Tier 1) instruments

Instruments issued to capital and are perpetual, meaning they have no maturity date, and investors are not paid back the principal amount.

Basel II

The second of the Basel Accords, issued by the Basel Committee on Banking supervision, which defines the methods by which firms should calculate their regulatory capital requirements to retain enough capital to protect the financial system against unexpected losses. Basel II became law in the EU Capital Requirements Directive, and was implemented in the UK via the PRA Handbook.

Basel III

The third of the Basel Accords, issued by the Basel Committee on Banking supervision, which are a long-term package of changes that will strengthen regulatory requirements for capital and liquidity.

Buy-to-let (BTL)

A mortgage designed to support customers purchasing an investment property to let out.

Capital Requirements Directive (CRD IV)

The EU legislative package covering prudential rules for banks, building societies and investment firms. CRD IV is made up of the Capital Requirements Directive and Capital Requirements Regulations, it is designed to implement the Basel III Accord across the EU.

Commercial lending / mortgage

Loans secured on commercial property.

Common Equity Tier 1 capital

Defined by the PRA as general reserves or qualifying capital instruments which for the Society is the accumulation of retained profits.

Common Equity Tier 1 ratio

Common Equity Tier 1 capital as a percentage of risk weighted assets.

Contractual maturity

The final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal and interest is due to be paid.

Covered bonds

Debt securities backed by a portfolio of mortgages that is segregated from the issuer's other on-balance sheet assets solely for the benefit of the holders of the covered bonds.

Credit risk

The risk that a customer or counterparty is unable to honour their repayment obligations as they fall due.

Debt securities

Assets representing certificates of indebtedness of credit institutions, public bodies or other undertakings excluding central banks.

Derivative financial instruments

A derivative financial instrument is a type of financial instrument (or an agreement between two parties) that has a value based on the underlying asset, index or reference rate it is linked to. The Group uses derivative financial instruments to hedge its exposures to interest rate risk.

Effective interest rate method (EIRM)

The method used to measure the carrying value of a financial asset or a liability and to allocate associated interest income or expense over the relevant period.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financed Emissions

The indirect greenhouse gas emissions attributable to the properties which the Group's lending is secured on.

Financial Conduct Authority (FCA)

FCA regulates the conduct of financial firms providing services to consumers and maintains the integrity of the UK's financial markets.

Financial Services Compensation Scheme (FSCS)

The UK's compensation fund of last resort for customers of authorised financial services firms. The FSCS may pay compensation to customers if a firm is unable, or likely to be unable, to pay claims against it, usually because it has stopped trading or has been declared in default. The FSCS is funded by the financial services industry. Every firm authorised by the PRA is obliged to pay an annual levy, which goes towards running costs and compensation payments.

Forbearance

A term generally applied to arrangements which are provided to support mortgage customers experiencing financial difficulties. An example of this would be a temporary reduction in mortgage payments.

Free capital

Represents gross capital less property, plant and equipment and investment property.

Funding limit

Measures the proportion of shares and borrowings not in the form of shares held by individuals.

Gilts

These are bonds issued by certain national governments. The Group only classifies debt securities issued by the Bank of England as Gilts.

Gross capital

The aggregate of the general reserve, FVOCI reserve, cash flow hedge reserve, other equity reserves, subordinated liabilities and subscribed capital.

Impaired loans

Loans where an event has occurred which indicates the Group does not expect to collect all the contractual cash flows due, or expects to collect them later than they are contractually due.

Individual Capital Guidance (ICG)

Guidance from the PRA on the minimum level of capital that must be held.

Individual Liquidity Guidance (ILG)

Guidance from the PRA on the minimum quantity of a firm's liquidity resources and the firm's funding profile.

Interest rate risk

The risk that the value of the Society's net assets or net interest income falls as a result of a change in interest rates.

Internal Capital Adequacy Assessment Process (ICAAP)

The Group's own assessment of the levels of capital that it needs to hold in respect of the risks it faces under a business as usual scenario and a variety of stress scenarios.

Internal Liquidity Adequacy Assessment Process (ILAAP)

The Group's internal assessment of the liquidity levels needed to meet its regulatory liquidity requirements.

Legacy mortgage portfolios

Mortgage loan books where the Group has ceased new lending and is winding down exposures.

Lending limit

Measures the proportion of business assets not in the form of loans fully secured on residential property.

Leverage ratio

A Basel III ratio which measures Tier 1 capital against total on and off balance sheet assets.

Liquid assets

The total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities.

Liquidity Coverage Ratio (LCR)

A Basel III measure of the amount of highly-liquid assets against cash outflows over a 30 day period.

Liquidity risk

The risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash inflows and outflows.

Loan-to-value ratio (LTV)

A ratio which expresses the amount of a mortgage as a percentage of the value of the property. The Group calculates UK residential mortgage LTV on an indexed basis (the value of the property is updated on a quarterly basis) to reflect changes in house prices.

Loans and advances to credit institutions

Treasury investments purchased with credit institutions.

Management expenses

Management expenses represent administrative expense and depreciation. The management expense ratio is management expenses expressed as a percentage of mean total assets.

Market risk

The risk that movements in market risk factors, including re-pricing of assets and liabilities and the imperfect matching of interest rates between different asset and liability types, may adversely impact the Society.

Mean total assets

Represents the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.

Member

A person who has a qualifying share investment or a mortgage loan with the Society.

Net interest income

The difference between interest received on assets and interest paid on liabilities.

Non-Executive Director

A Member of the Society's Board who does not form part of the executive management team. They are not an employee of the Society.

Operational risk

The risk of loss arising from inadequate or failed internal processes, people and systems or from external events.

Other lending

Loans and advances secured on traded endowment policies.

Past due

Loans on which payments are overdue including those on which partial payments are being made.

Permanent Interest Bearing Shares (PIBS)

Unsecured, deferred shares that are a form of capital. PIBS rank behind the claims of all subordinated debt holders, depositors, payables and investing Members of Newcastle Building Society.

Prime

Prime mortgages are those granted to the most credit worthy category of residential borrowers.

Prudential Regulation Authority (PRA)

Part of the Bank of England and responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms.

Regulators' Remuneration Code

The Dual-regulated firms Remuneration Code (SYSC 19D) sets out the standards and policies that dual-regulated firms must meet when setting pay and bonuses for their staff.

Renegotiated loans

Loans are classed as renegotiated with the customer's consent, when their terms have changed during the year. Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower.

Repo

Short to medium-term funding agreements which allow a borrower to sell a financial asset, such as Government bonds, as security for cash. As part of the agreement the borrower agrees to repurchase the security at a later date. For the party selling the security (and agreeing to repurchase it in the future) it is a repo; for the party on the other end of the transaction (buying the security and agreeing to sell in the future), it is a reverse repurchase agreement or reverse repo.

Residential mortgage backed securities (RMBS)

Asset backed securities that represent interests in residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and principal).

Residential loans

Residential loans are secured against residential property.

Risk appetite

The articulation of the level of risk that the Group is willing to take (or not take) in order to safeguard the interests of the Society's Members whilst achieving business objectives.

Risk-weighted assets (RWA)

The value of assets, after adjustment under Basel II rules, to reflect the degree of risk they represent. The Society measures RWA using the standardised approach.

Shares

Funds deposited by a person in a retail savings account with the Society. Such funds are recorded as liabilities for the Society.

Shares and borrowings

The total of shares, amounts owed to credit institutions, amounts owed to other customers and debt securities in issue, including accrued interest.

Solutions

A subsidiary of the Society that offers business to business services through people, process and innovative application of technology. Services include complete systems for smaller societies and white-labelled savings management for a range of banks and building societies.

Solvency ratio

The ratio of total capital to total risk weighted assets.

Subordinated debt / liabilities

A form of Tier 2 capital that is unsecured and ranks behind the claims of all depositors, creditors, and investing Members (other than holders of PIBS).

Tier 1 capital

Tier 1 capital is divided into Common Equity Tier 1 and other Tier 1 capital. Common Equity Tier 1 capital comprises general reserves from retained profits. Other regulatory adjustments may be made for the purposes of capital adequacy. Under the grandfathering rules of Basel III qualifying capital instruments such as PIBS can be included in other Tier 1 capital (i.e. not Common Equity Tier 1) transferring to Tier 2 over the grandfathering period.

Tier 2 capital

Comprises the Group's qualifying subordinated debt and collective impairment allowance (for exposures treated on a Basel II standardised basis).

Wholesale funding

The total of deposits from banks, amounts owed to other customers and debt securities in issue.

Our Locations

Alnwick

28 Bondgate Within
NE66 1TD
(01665) 603 344

Ashington

10 Station Road
NE63 9UJ
(01670) 815 919

Barnard Castle

25 Market Place
DL12 8NE
(01833) 600 100

Berwick

12 Hide Hill
TD15 1AB
(01289) 306 417

Bishop Auckland

15 Newgate Street
DL14 7HG
(01388) 433 001

Carlisle

65 English Street
CA3 8JU
(01228) 524 518

Chester-le-Street

42 Front Street
DH3 3BG
(0191) 388 5266

Consett

19/21 Middle Street
DH8 5QP
(01207) 502 636

Cramlington

34/35 Craster Court
NE23 6UT
(01670) 735 813

Darlington

7/8 Horsemarket
DL1 5PW
(01325) 383 656

Durham

73/75 Saddler Street
DH1 3NP
(0191) 384 3182

Gateshead

12 Ellison Walk,
NE8 1BF
(0191) 477 2547

Gosforth

105/107 High Street
NE3 1HA
(0191) 285 5965

Hartlepool

133/135 York Road
TS26 9DR
(01429) 233 014

Hawes

Hawes Community Office
DL8 3RA
(01969) 600 333

Hexham

1-2 Beaumont Street
NE46 3LZ
(01434) 605 106

Knaresborough

40 Market Place
HG5 8AG
(01423) 648 750

Middlesbrough

38 Linthorpe Road
TS1 1RJ
(01642) 243 617

Morpeth

14 Market Place
NE61 1HG
(01670) 514 702

Newcastle

155 - 159 Grainger St
NE1 5AE
(0191) 261 4940

North Shields

YMCA North Tyneside
Church Way
NE29 0AB
(0191) 259 5286

Penrith

12 Market Square
CA11 7BX
(01768) 862 888

Pickering

16 Market Place
YO18 7AE
(01751) 202 030

Ponteland

23 Broadway
NE20 9PW
(01661) 821 828

South Shields

Unit 3-5 Denmark Centre
NE33 2LR
(0191) 454 0407

Stokesley

36 High Street
TS9 5DQ
(01642) 711 742

Sunderland

14 Waterloo Place
SR1 3HT
(0191) 565 0464

West Denton

15 Denton Park Centre
NE5 2QZ
(0191) 267 5038

Whickham

28 Front Street
NE16 4DT
(0191) 488 1766

Whitley Bay

303 Whitley Road
NE26 2HU
(0191) 252 0642

Wooler

The Cheviot Centre
NE71 6BL
(01668) 260 360

Yarm

41 The High Street
TS15 9BH
(01642) 785 985

King Street

74 King Street
M2 4NJ
(0161) 870 1200



1 Cobalt Park Way, Wallsend, NE28 9EJ
0191 244 2000

Manchester Building Society is a trading
name of Newcastle Building Society



Newcastle.co.uk

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