Annual Report and Accounts

Clydesdale Bank PLC

For the year ended 31 March 2026

Company Number: SC001111

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Contents

Officers and auditor

Board Chair	Kevin Parry OBE (appointed 30 September 2025) David Bennett (resigned as Board Chair 30 September 2025, resigned as Non-Executive Director 31 December 2025)
Senior Independent Non-Executive Director (SID)	Tracey Graham (appointed as Non-Executive Director on 23 January 2025, appointed as SID 30 September 2025) Tim Wade (resigned 30 September 2025)
Independent Non-Executive Directors	Guy Bainbridge (appointed 1 February 2026) Alan Keir (appointed 30 September 2025) Debbie Klein (appointed 30 September 2025) Sally Orton (appointed 30 September 2025) Tamara Rajah MBE (appointed 30 September 2025) Gillian Riley (appointed 30 September 2025) Phil Rivett (appointed 30 September 2025) Mike Rogers (appointed 1 April 2026) Anand Aithal (appointed 30 September 2025, resigned 31 December 2025) Lucinda Charles-Jones (resigned 30 September 2025) Petra van Hoeken (resigned 30 September 2025) Elena Novokreshchenova (resigned 30 September 2025)
Executive Directors	Dame Debbie Crosbie DBE (appointed 30 September 2025) Muir Mathieson (appointed 30 September 2025) Chris Rhodes Gergely Zaborszky (resigned 30 September 2025)
Company Secretary	Jason Wright (appointed 31 July 2025) Lorna McMillan (resigned 31 July 2025)
Registered office	177 Bothwell Street Glasgow G2 7ER
Independent auditor	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY

Strategic report

The Directors present their Strategic report for the year ended 31 March 2026.

Business structure

Clydesdale Bank PLC (the Bank) is incorporated in the United Kingdom (UK) under the Companies Act 2006 (the Act) and registered in Scotland.

The Bank's immediate parent is Virgin Money UK PLC, a company registered in England and Wales. The ultimate parent and controlling party is Nationwide Building Society (Nationwide), a building society incorporated and registered in England and Wales. Nationwide and its subsidiary undertakings comprise the Nationwide Building Society Group (the Group).

Further detail of the Group structure is disclosed in note 1.1 to the financial statements.

Principal activities

The Bank operates a full-service, UK-focused retail and commercial banking business under the brand names 'Virgin Money', 'Clydesdale Bank' and 'Yorkshire Bank'. The Bank provides residential mortgages, retail and business current accounts, savings, personal loans and credit cards, loans for small and medium sized businesses, and payment and transaction services.

Business review and future developments

The Bank delivered a robust financial performance during the year ended 31 March 2026, while making good progress as part of the wider integration programme with Nationwide. The Bank has continued to invest in customer service, while simplifying the business, including the disposal of the Virgin Money investments subsidiary (Virgin Money Unit Trust Managers Limited) and the Salary Finance joint venture (JV).

On 2 April 2026, the majority of the Bank's assets and liabilities were transferred to Nationwide, under Part VII of the Financial Services and Markets Act 2000 (FSMA) (Part VII), covering substantially all of the Bank's retail and commercial business banking activities. Alongside this, all Bank colleagues became employed by Nationwide.

In light of this, the results of the Bank at 31 March 2026 are presented on a continuing and discontinued operations basis in accordance with applicable accounting standards (see note 3.8 of the financial statements). Following the Part VII transfer, the Bank will solely focus on the issuance of Scottish banknotes which, under the Bank of England's (BoE's) 'Scottish and Northern Ireland Banknote Rules 2017', must be matched by backing assets held with the BoE. Accordingly, all interest income earned on the backing assets and operating expenses incurred on note issuance activities form part of the Bank's continuing operations.

Summary balance sheet	**31 Mar 2026 £m**	31 Mar 2025 £m
Customer loans	**69,097**[(1)]	70,521
Other financial assets	**20,351**[(2)]	17,104
Other non-financial assets	**1,572**[(1)]	2,076
Total assets	**91,020**	89,701
Customer deposits	**(72,711)**[(3)]	(70,383)
Wholesale funding	**(10,948)**[(3)]	(11,714)
Other liabilities	**(1,779)**[(4)]	(2,021)
Total liabilities	**(85,438)**	(84,118)
Ordinary shareholders' equity	**(4,884)**	(4,890)
Additional Tier 1 (AT1) equity	**(698)**[(5)]	(693)
Equity	**(5,582)**	(5,583)
Total liabilities and equity	**(91,020)**	(89,701)

(1) Included within assets of the disposal group held for distribution.
(2) Included within assets of the disposal group held for distribution with the exception of £1,258m of cash and balances with central banks.
(3) Included within liabilities of the disposal group held for distribution.
(4) Included within liabilities of the disposal group held for distribution with the exception of £1,231m of notes in circulation.
(5) Transferred to Nationwide on 2 April 2026 under the Part VII banking business transfer.

Customer loans and deposits

Customer loans reduced by 2% overall from £70.5bn to £69.1bn. Within this, mortgage balances reduced 2% from £55.2bn to £54.2bn, driven by lower completions in a competitive market, a non-repeat of the high market volumes seen in the period ahead of Stamp Duty changes implemented on 1 April 2025, and a strategic approach to managing performance across the Group. Business lending reduced by 3% from £9.2bn to £8.9bn, also reflecting a competitive market. Consumer lending remained relatively stable at £6.1bn, as 3% growth in credit card balances was offset by lower personal loans and overdrafts.

Strategic report (continued)

Customer loans and deposits (continued)

During the year, the Bank ceased all front book origination of personal loans and completed the disposal of its interest in Salary Finance Loans Limited (the Salary Finance JV entity). These decisions, which support the simplification of the Bank's operations as it integrates into the wider Group, drove a reduction in personal loans across the year. Customer deposits increased during the year by 3% from £70.4bn to £72.7bn and included growth in both retail and commercial deposits. Accordingly, the loan to deposit ratio fell from 100% to 95%.

Liquidity and funding

The Bank's wholesale funding reduced 7% during the year from £11.7bn to £10.9bn, reflecting wholesale funding maturities. The Bank did not issue any new wholesale funding instruments to external investors during the year, with these instruments instead issued by Nationwide and down-streamed as appropriate to ensure an appropriate level of capital and funding in the Bank. The Bank maintained a 12-month average Liquidity Coverage Ratio (LCR) of 164% as at 31 March 2026 (12-month average as at 31 March 2025: 158%) and a 12-month average Net stable funding ratio (NSFR) of 143% as at 31 March 2026 (12-month average NSFR as at 31 March 2025: 142%). Cash and balances with central banks increased by £5.3bn year on year as certain securities were divested in anticipation of the Part VII transfer.

Capital

The Bank maintained a strong capital position during the year. On a Clydesdale Bank PLC solo consolidated basis as at 31 March 2026, the Common Equity Tier 1 (CET1) ratio was 14.3% (31 March 2025: 14.2%) and the total capital ratio was 19.3% (31 March 2025: 19.4%). This represents a significant CET1 management buffer in excess of the Capital Requirements Directive IV (CRD IV) minimum CET1 requirement of 11.0%. Further detail on the capital movements can be found in the Bank's Pillar 3 report.

Summary income statement	**12 months to 31 March 2026**			18 months to 31 March 2025		
	Continuing operations £m	**Discontinued operations £m**	**Total £m**	Continuing operations £m	Discontinued operations £m	Total £m
Net interest income	**22**	**1,689**	**1,711**	49	2,446	2,495
Non-interest income	**-**	**122**	**122**	-	244	244
Total operating income	**22**	**1,811**	**1,833**	49	2,690	2,739
Total operating and administrative expenses	**(6)**	**(1,456)**	**(1,462)**	(10)	(2,112)	(2,122)
Operating profit before impairment losses	**16**	**355**	**371**	39	578	617
Impairment losses on credit exposures	**-**	**(180)**	**(180)**	-	(429)	(429)
Profit on ordinary activities before tax	**16**	**175**	**191**	39	149	188
Tax expense	**(4)**	**(37)**	**(41)**	(9)	(20)	(29)
Statutory profit attributable to equity holders	**12**	**138**	**150**	30	129	159

Net interest income reduced slightly, on a like-for-like[(1)] basis, in line with the shift in customer lending and deposits as detailed above. Non-interest income in the current year includes one-off charges arising from a liability management exercise as the Bank's funding structure aligned to the wider Nationwide Group framework following the acquisition.

Operating and administrative expenses were £1,462m during the year (18 months to 31 March 2025: £2,122m). The current year included additional costs to deliver improvements in customer experience, support integration readiness, and further improve regulatory and operational resilience. In addition, costs associated with the disposal of the Virgin Money investments subsidiary in December 2025 and other integration-related expenditure were also incurred.

Impairment losses on credit exposures of £180m were recognised during the year, equivalent to a cost of risk of 26 basis points (bps) (41bps annualised cost of risk in the 18-month period to 31 March 2025). The improvement in the annualised cost of risk was largely driven by the impact of harmonising the IFRS 9 provisioning methodology and calculations with Nationwide following the acquisition in the prior period, which significantly increased credit impairment provisions in the 18 months to 31 March 2025. The current year includes additional charges from continued alignment of provision methodologies with those applied across Nationwide, which partly offset lower charges from the implementation of a new suite of IFRS 9 models within consumer lending and the disposal of the lending associated with the Salary Finance JV.

(1) Like-for-like takes into consideration the Bank's prior period comparatives covering an 18-month period compared to the current 12-month period.

Strategic report (continued)

Key performance indicators (KPIs)

Following Virgin Money's acquisition by Nationwide, and with the results and performance of the business now included in the Group's Annual Report and Accounts, the Directors do not place primary reliance on KPIs at the individual subsidiary level. While the Bank continues to assess a range of performance ratios, including asset quality, funding, liquidity, and capital, all of which are highlighted in the Risk report, and therefore no KPI's are presented for the Bank in this report. Refer to page 103 for performance metrics definitions.

Non-Financial and Sustainability Information Statement and Streamlined Energy and Carbon Reporting regulations

The Bank is required to prepare a Non-financial and Sustainability Information Statement (NFSIS) under Sections 414CA and 414CB of the Companies Act 2006 (the Act) and report under the Streamlined Energy and Carbon Reporting (SECR) regulations in accordance with Part 15 of the Act.

The Bank's ultimate parent entity, Nationwide, is registered under the Building Societies Act and is the largest building society in the UK. While Nationwide is not subject to the requirements of the Companies Act 2006, its size and standing as a significant and influential financial institution in the UK means it aims to apply the requirements of the Act where appropriate, while aligning to important parts of environmental and climate-related regulation.

The Directors consider that the approach to the management of climate-related risks and opportunities is integrated with that of the Group. Climate-related risks and opportunities are identified through the Group's established risk identification processes within its Group Risk Management Framework (GRMF), which supports appropriate identification, monitoring, management and reporting across all principal risk categories. Climate change is considered a potential cause to the Group's principal risks and considers the impacts from physical and transition climate change risks:

- Physical climate risk arises from the increasing severity and frequency of acute weather events, such as flooding, and from chronic long-term shifts in climate, which can adversely affect property values, customer affordability, operational resilience and asset quality, particularly within residential mortgage and business lending portfolios.
- Transition risk arises from the process of adjustment towards a low-carbon economy, including changes in government policy and regulation (such as Minimum Energy Efficiency Standards), technological developments, evolving customer preferences and market behaviour, which may impact borrowers' ability to adapt, asset values, credit risk and demand for products.

Climate-related risks and opportunities are assessed across short (0–5 years), medium (5-15 years) and long term (15+ years) horizons. These horizons reflect the different ways in which physical and transition risks may crystallise over time. Climate change scenario analysis supports evaluation of longer-term physical and transition risks, which in turn support capital and provisioning processes. The Group continues to identify credit risk as the most material climate-related risk due to its residential mortgages and business lending portfolios.

The Group manages climate-related risk through its clearly articulated risk appetite statement and risk appetite metrics, climate change scenario analysis, and exposure analysis through its Property Risk Hub (which assesses both flood risk and the energy efficiency of its residential mortgage portfolio).

The Group's Climate Change and Nature Risk Standard, operational controls and governance model (which supports regular monitoring and reporting to executive management and Board-level committees, as appropriate) ensure climate-related risks are managed appropriately and within risk appetite. The Group also recognises climate-related opportunities, including supporting customers to transition towards net-zero through green finance propositions (for retail and business customers), such as its 0% Green Additional Borrowing mortgage and its Sustainable Business Coach. It also recognises its role to help influence much-needed policy change to support the decarbonisation of homes and businesses, in support of the UK's net-zero ambition.

The climate-related risks and opportunities of the Group, and its arrangements for managing them, are discussed further on pages 23-24 of the Group's Annual Report and Accounts 2026, which does not form part of this report. The Directors do not consider that it is necessary for an understanding of the Bank's business to include within this report a description of the actual or potential impacts on the business model and strategy or their resilience under different climate-related scenarios, or the targets or key performance indicators used (as these are managed at Group level). The interests of the Bank's stakeholders within the Group are also considered in the s.172 statement on page 6 and as part of the Group's climate-related risk assessment, when appropriate.

For the information required under paragraph A1 of Section 414CB of the Act and SECR, the Directors are satisfied that, notwithstanding the differences that exist between the Companies Act 2006 and the Building Societies Act, the relevant disclosures in the Group's Annual Report and Accounts 2026 (pages 23-25) can be relied upon by the Bank to meet the requirements.

Non-Financial and Sustainability Information Statement and Streamlined Energy and Carbon Reporting regulations (continued)

In line with SECR requirements, the Company's scope 1, 2, and 3 emissions are incorporated into the Group's emissions accounted for within the Group's Annual Report and Accounts 2026, on page 25. Energy efficient measures are managed by the Group and include initiatives such as removal of gas from almost 100% of its Nationwide-branded branches and data centres, and delivery of energy efficient improvements to some of its Virgin Money-branded branches (such as adding or updating insulation and introducing building metering systems). More information is in the Group's Annual Report and Accounts 2026 on page 24, and in the Strategy section of its Climate-related Financial Disclosures 2026 from page 3.

Governance

Our commitment to good governance has continued to underpin our strategic delivery and ensures we continue to challenge our assumptions and risks. Our Directors' report, which contains further information, can be found on pages 42 to 45.

Section 172 statement

In undertaking its duties, the Board continues to be mindful of the need to appropriately balance the interests and expectations of the Bank's various stakeholders. In this report, we describe how we have considered and worked with our stakeholders as we seek to achieve our purpose 'Banking – but fairer, more rewarding, and for the good of society'. Details of s.172 compliance can be found on pages 42 to 43.

Risk management

The Bank, as a subsidiary of Nationwide, operates under Nationwide's Group Risk Management Framework (GRMF), which ensures that risks are managed consistently and effectively.

The Bank recognises that effective risk management is essential to its ongoing strength and the delivery of its strategic objectives. We adopt a prudent approach to risk management, keeping our customers' money safe and secure. We ensure that the risks we take in support of our strategy are understood and managed through a consistent approach.

How risk is managed

The GRMF defines how risks are managed and sets out the risk management responsibilities of colleagues within an industry-standard three lines of defence model. This ensures that all risks are appropriately identified, assessed, managed, monitored and reported. This is supplemented by governance which supports the Board in ensuring risks are managed consistently, with appropriate escalation routes in place.

The Board sets the Bank's risk appetite, defining the acceptable levels of risk to take in pursuit of its objectives. The Board and management receive regular risk profile reporting, including key risk metrics, to monitor our position relative to risk appetite. We also continuously review risks to which the Bank is exposed and strengthen both the framework and the controls we rely upon to mitigate these risks. Further information on how risk is managed can be found in the How risk is managed section of the Risk report on page 8.

Independent oversight and challenge of risk management practices is provided by the Risk function, led by the Group Chief Risk Officer. The Internal Audit function provides assurance of the effectiveness of the control environment to the Board.

Strategic report (continued)

Principal risks

The Board is responsible for the principal risks to which the Bank is exposed. These risks encompass all the different types of risk which are relevant to the Bank's business and the achievement of its strategic objectives.

Risks	Description
Credit risk	The risk of loss as a result of a customer or counterparty failing to meet their financial obligations.
Capital risk	The risk that the Bank fails to maintain sufficient capital to absorb losses throughout a full economic cycle and sufficient to maintain the confidence of current and prospective investors, members, the Board, and regulators.
Liquidity and funding risk	Liquidity risk is the risk that the Bank is unable to meet its liabilities as they fall due and maintain member and other stakeholder confidence. Funding risk is the risk that the Bank is unable to maintain diverse funding sources in wholesale and retail markets and manage retail funding risk that can arise from excessive concentrations of higher risk deposits.
Market risk	The risk that the net value of, or net income arising from, the Bank's assets and liabilities is impacted as a result of market price or rate changes. The Bank does not have a trading book; therefore, market risk only arises in the banking book.
Pension risk	The risk that the value of the pension scheme assets will be insufficient to meet the estimated liabilities, creating a pension deficit.
Model risk	The risk of adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. Model outputs may be affected by the quality of data inputs, suitability of methodology, or the integrity of implementation. This could lead to adverse consequences including financial loss, poor business decision making, detrimental impact on customers, or damage to the Bank's reputation.
Operational and conduct risk	The risk of impacts resulting from inadequate or failed internal processes, conduct and compliance management, people and systems, or from external events. This includes, but is not limited to, technology risk, security risk (including cyber), data risk, economic crime risk and regulatory risk.
Business risk	The risk that volumes decline, margins shrink, or losses increase relative to the cost or capital base, affecting the sustainability of the business and the ability to deliver the strategy due to external (macroeconomic, geopolitical, industry, regulatory, technological, or other external events) or internal factors (including the development and execution of the strategy).

Following the completion of the banking business transfer under Part VII on 2 April 2026 (note 5.5) and the transfer of customer assets and liabilities, the Bank continues to operate the Scottish banknote issuance activity for the Group. The Bank's balance sheet is significantly simplified, and the principal risks and uncertainties it is exposed to are substantially more limited.

For further information on how Principal risks are managed, refer to the Risk report section (for credit risk, capital risk, liquidity and funding risk, market risk and pension risk) on pages 8 to 41, and the Risk report in the Group's Annual Report and Accounts 2026.

The Strategic report was approved by the Board of Directors on 20 May 2026 and was signed on its behalf by:

Debbie Crosbie
Director

Risk report

Effective risk management helps to ensure that we keep customers' money safe and secure. This is critical to delivering our purpose: *Banking - but fairer, more rewarding, and for the good of society*. We adopt a prudent approach to risk management, taking only those risks which support our strategy and then managing them through a consistent approach.

How risk is managed

The Bank operates under the GRMF. The GRMF is based upon the following core elements:

- Identifying the principal risks to which the Nationwide Group and its subsidiaries are exposed;
- Establishing risk appetite, supported by more detailed metrics and indicators as appropriate;
- Implementing robust risk management, supported by appropriate risk and control monitoring, through an effective three lines of defence model; and
- Reporting risks through a robust governance structure to an appropriate level within the Group.

The framework is underpinned by a comprehensive suite of processes, policies and standards which detail the precise activities undertaken to manage each individual risk, and which focus on the responsibilities of key executives and risk practitioners.

The design and operational effectiveness of the Group's risk management and internal control environment is regularly reviewed and enhanced in response to changes in the internal and external risk profile, allowing tailored responses to be developed where improvements are considered appropriate.

Risk appetite

Risk appetite sets the level of risk which the Board considers to be acceptable in the delivery of the Bank's strategy. The risk appetite consists of statements supported by metrics with appropriate limits and triggers for all key risks to which the Bank is exposed; these are monitored and reported through the Group's governance structure.

Risk governance structure

The GRMF is supplemented by Group-level governance which enables the Board to ensure risks are managed consistently, with appropriate escalation routes in place.

The Board receives regular reports and assessments of the Bank's risk management and control environment and recommendations from Board Risk Committee on matters spanning all risk categories, including the appropriate level of risk appetite.

The Board Risk Committee and Audit Committee provide oversight and advice to the Board. Matters such as risk appetite breaches and associated actions are reported to the relevant management committee and subsequently escalated through this governance structure as appropriate. The Group Executive Risk Committee coordinates the management of all risks and provides regular updates to the Board and Board Risk Committee on priority risk areas and key decisions.

Committees	Risk focus
Board Risk Committee	Provides oversight and advice to the Board in relation to current and potential future risk exposures and future risk strategy, including determination of risk appetite.
Audit Committee	Provides oversight and advice to the Board in relation to financial and non-financial reporting, internal and external audit, and the adequacy and effectiveness of internal controls and risk management systems.
The Board Risk Committee is supported by the following committee:	
Group Executive Risk Committee (GERC)	Reviews, monitors and controls the Group's risk appetite, controls and exposures and considers Group-wide risk matters prior to consideration by the Board.
The Group Executive Risk Committee is supported by management committees:	
Management Committees	Dedicated risk committees and functional risk meetings determine and amend the Group's attitude to principal risks and oversee the management of those risks. These include the Group Assets and Liabilities Committee (GALCO), the Group Credit Committee and the Group Model Risk Committee.

Risk report (continued)

Risk governance structure (continued)

Three lines of defence

Risk management activities are structured across three lines of defence, tailored to reflect the Group's size, complexity and business model. Everyone has a role to play in risk management; responsibilities and accountabilities are outlined through the model set out below.

First line: Risk and control ownership

Responsibilities: Designing and running business operations, owning and operating most controls to manage risks and meet regulatory requirements.

Accountabilities:

- Setting business objectives
- Defining risk appetite for Board approval
- Identifying, owning and managing risks
- Defining, operating, and testing controls
- Identifying future threats and risks
- Implementing and maintaining regulatory compliance
- Adhering to the minimum standards for risk management and associated policies
- Testing controls
- Conducting outcomes testing
- Operating and reporting on the control framework

Second line: Oversight, support, and challenge

Responsibilities: Overseeing, through support, challenge and the provision of advice, the effectiveness of risk management by the first line.

Accountabilities:

- Providing expert risk advice on business initiatives
- Providing advice on the setting of risk appetite
- Reporting aggregate, enterprise-level risks appropriately through the governance structure
- Providing independent and risk-based assurance
- Interpreting regulatory change
- Setting the minimum standards for risk management
- Identifying future risks and threats
- Designing the GRMF

Third line: Assurance

Responsibilities: Providing assurance to the Board on the effectiveness of the control environment.

Accountabilities:

- Performing independent audits of the effectiveness of first line risk management and control, and second line risk oversight, support and challenge
- Taking a risk-based approach to the programme of audit work
- Preparing an annual opinion of the risk management and controls framework to present to the respective Audit Committees

Risk report (continued)
Credit risk

Credit risk is the risk of loss due to a customer or counterparty failing to meet their financial obligations. Credit risk encompasses:

Borrower/counterparty risk	-	the risk of loss arising from a borrower or counterparty failing to pay, or becoming increasingly likely not to pay the interest or principal on a loan, or on a financial product, or for a service, on time;
Security/collateral risk	-	the risk of loss arising from deteriorating security/collateral quality;
Concentration risk	-	the risk of loss arising from insufficient diversification of region, sector, counterparties or other significant factor; and
Refinance risk	-	the risk of loss arising when a repayment of a loan or other financial product occurs later than originally anticipated.

The Bank manages credit risk for the following portfolios:

Residential mortgages	-	Loans secured on residential property to retail customers;
Consumer lending	-	Unsecured lending to retail customers comprising current account overdrafts, personal loans and credit cards;
Business lending	-	Lending to non-retail customers; and
Treasury	-	Treasury liquidity, derivatives and investment portfolios.

Management of credit risk

The Bank lends in a responsible, affordable and sustainable way to ensure safeguarding of customers and the financial strength of the Bank throughout the credit cycle. To this end, the Board approves the level of risk appetite it is willing to take in pursuit of the Bank's strategy, based on Board Risk Committee recommendations. This is articulated through Board risk appetite statements and underlying principles:

Safeguarding our customers and counterparties by lending responsibly:

- Only lending to customers or counterparties who demonstrate that they can afford to borrow.
- Supporting customers buying mortgageable properties of wide-ranging types and qualities.
- Working with customers and counterparties to recover their financial position should there be a delay, or risk of delay, in meeting their financial obligations.

Safeguarding the Bank's financial performance, strength and reputation:

- Managing asset quality so that losses through an economic cycle will not undermine profitability, financial strength and/or our standing with external stakeholders.
- Ensuring that no material segment of our lending exposes the Bank to excessive loss.
- Proactively managing credit risk and complying with regulations.

The Bank operates with a commitment to responsible lending and a focus on championing good conduct and fair outcomes. In this respect, the Bank formulates appropriate credit criteria and policies which are aimed at mitigating risk from individual transactions and ensuring that credit risk exposure remains within risk appetite. Under a governed delegated mandate structure, the Group Credit Committee, individual Material Risk Takers and relevant personnel holding lending mandates make credit decisions, based on a thorough credit risk assessment, to ensure that customers and counterparties can meet their obligations.

Credit risk is managed within the risk appetite approved by the Board. Performance against this appetite is measured across a range of metrics and is reported to Group Credit Committee each month. Corrective action is taken when metrics move towards or beyond defined thresholds, to ensure performance remains or returns to appetite within an appropriate timescale.

The Bank is committed to helping customers who may anticipate or find themselves experiencing a period of financial difficulty, offering a range of forbearance options tailored to their individual circumstances. Accounts in arrears, or where the borrower is in financial difficulty, are managed by specialist teams within the Group or referred to debt charities to ensure an optimal outcome for our customers and the Bank.

Collateral

The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held as security, and other credit enhancements include the following:

Residential mortgages

Residential property is the Bank's main source of collateral on mortgage lending and means of mitigating loss in the event of the default risk inherent in its residential mortgage portfolios. All lending activities are supported by an appropriate form of valuation. This valuation is applied using either a physical valuation, or another method that is not reliant on a physical inspection, but utilises data and modelled information, such as desktop, automated valuation model or indexed valuations (subject to

policy rules and requirements). It is the Bank's policy to dispose of repossessed properties, with the proceeds used to reduce or repay the outstanding balance. The Bank does not occupy repossessed properties for its own business use.

Commercial property

Commercial property is a source of collateral on Business lending and means of mitigating loss in the event of default. For commercial loans, collateral comprises first legal charges over freehold, or long leasehold property (including formal Companies House registration where appropriate). All commercial property collateral is subject to an independent, professional valuation when taken and thereafter subject to periodic review in accordance with policy requirements.

Non-property related collateral

In addition to residential and commercial property-based security, the Bank also takes other forms of collateral when lending. This collateral can involve obtaining security against the underlying loan through the use of cash collateral and/or netting agreements, both of which reduce the original exposure by the amount of collateral held, subject to volatility and maturity adjustments where applicable. It can also include specific or interlocking guarantees, and loan agreements, which include affirmative and negative covenants and, in some instances, guarantees of counterparty obligations. The Bank also provides asset-backed lending in the form of asset and invoice finance. Security for these exposures is held in the form of direct recourse to the underlying asset financed. Generally, the Bank does not take possession of collateral it holds as security, or call on other credit enhancements, that would result in recognition of an asset on its balance sheet.

Forbearance

Forbearance occurs when concessions are made to the contractual terms of a loan when the customer is facing or about to face difficulties in meeting their financial commitments. A concession is where the customer receives assistance, which could be a modification to the previous terms and conditions of a facility or a total or partial refinancing of debt, either mid- term or at maturity. Requests for concessions are principally attributable to:

- temporary cash flow problems;
- breaches of financial covenants; or
- an inability to repay at contractual maturity.

Measuring credit risk within asset portfolios

At each reporting date, the Bank assesses financial assets measured at amortised cost, as well as loan commitments and financial guarantees, for impairment. The impairment loss allowance is calculated using an expected credit loss (ECL) methodology and reflects: (i) an unbiased and probability weighted amount; (ii) the time value of money, which discounts the impairment loss; and (iii) reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Bank adopts two approaches in the measurement of credit risk: (i) modelled assessed – where the Bank uses a combination of strategies and statistical models that utilise internal and external data to measure the exposure to credit risk within the portfolios (supplemented by management adjustments (MAs) where necessary); and (ii) individually assessed – where a charge is taken to the statement of comprehensive income (SOCI) when an individually assessed (IA) provision has been recognised, or a direct write-off has been applied to an asset balance.

Economic outlook

The Bank's base case scenario was updated to reflect economic conditions at 31 March 2026, including the impact of the conflict in the Middle East, and assumes modest UK economic growth. Bank rate is expected to remain unchanged at 3.75% during 2026, while inflation is forecast to increase in the short term to 4% before returning to the Bank of England's 2% target in 2027. House prices are expected to remain resilient and are forecast to rise by 3.2% in 2026.

Recent developments in the Middle East have increased economic uncertainty, with the longer-term impact dependent on the duration of the shock to the global economy and the policy response of governments and central banks. The Bank continues to apply four economic scenarios, which together reflect an appropriate range of potential economic outcomes for provisioning purposes.

Further information on the economic scenarios used in calculating provisions is provided on page 22.

The Bank continues to monitor geopolitical and economic uncertainties and assess their impact on borrowers and credit risk across our lending portfolios. Where necessary, we will continue to take appropriate action to support borrowers facing financial difficulty. Borrowers have so far demonstrated resilience to affordability pressures, and arrears are broadly stable.

Other future developments

On 2 April 2026, the majority of the assets and liabilities of the Bank, including all customer lending, were transferred to Nationwide, materially reducing credit risk exposures. Customer lending and associated ECL provisions are classed as held for distribution at 31 March 2026 and impairment losses on credit exposures are included within discontinued operations. Further details on the assets and liabilities held for distribution can be found in note 3.8 to the financial statements.

ECL methodology

ECL methodology is based upon the combination of probability of default (PD), loss given default (LGD) and exposure at default (EAD) estimates that consider a range of factors that impact on credit risk and the level of impairment loss provisioning. The Bank uses reasonable and supportable forecasts of future economic conditions in estimating the ECL allowance. The methodology and assumptions used in the ECL calculation are reviewed regularly and updated as necessary.

The calculated model ECL is determined using the following classifications:

Stage	ECL assessment period	Description
1	12-month	An exposure that is not credit-impaired on initial recognition and has not experienced a significant increase in credit risk (SICR) since initial recognition.
2	Lifetime	An exposure that has experienced a SICR since initial recognition but is not yet deemed to be credit impaired.
3	Lifetime	There is objective evidence that an instrument is credit impaired. Assets are considered credit impaired when: • contractual payments of either principal or interest are past due by more than 90 days; • there are other indications that the borrower is unlikely to pay, such as signs of financial difficulty, probable bankruptcy, breaches of contract and concession events which have a detrimental impact on the present value of future cash flows; or • the loan is otherwise considered to be in default.

A Stage 2 ECL is required where a SICR has been identified, such as a deterioration in the PD since origination. Absent any specific SICR factors, the Bank operates a 30 days past due (DPD) backstop for classification as Stage 2, and 90 DPD for Stage 3. Forborne exposures can be classed as either Stage 2 or Stage 3 depending on the type of forbearance programme that has been applied to the customer.

Individually assessed (IA) provisions are classed as Stage 3. When a loan is deemed uncollectable, and all necessary internal procedures have been completed, it is written off against the related impairment loss. Subsequent recoveries of amounts previously written off reduce the expense in the SOCI.

Purchased or originated credit-impaired (POCI) financial assets are those that are assessed as being credit-impaired upon initial recognition, and once classified as POCI, remain in Stage 3 until derecognition irrespective of any change in credit quality. The Bank regards the date of acquisition as the origination date for purchased portfolios.

ECL methodology (continued)

SICR criteria and triggers are parameters subject to the same governance pathway as the Bank's IFRS 9 models; with changes to triggers initially submitted to and endorsed by the Credit Model Technical Forum and formal approval provided by the Group Model Risk Committee. ECL provisions are reviewed by two Provisions Advisory Forums for Retail and Business exposures respectively and approved at a subsequent Provisions Meeting attended by the Group CFO. The Audit Committee provides oversight to the ECL calculation and measurement, with reviews and robust challenge of all calculated outcomes and management judgements. This includes the rationale behind the inclusion of MAs.

Accounting and regulatory credit loss frameworks

The approach to calculating credit losses differs between the accounting and regulatory frameworks applicable to the Bank, with the most significant difference being that the concept of SICR, which moves exposures from a 12-month to a lifetime ECL calculation in the accounting framework, does not exist under the regulatory framework. The approach to staging under IFRS 9 is also not applicable under regulatory credit loss reporting. Both frameworks calculate credit losses under a PD x LGD x EAD approach, with the regulatory IRB approach assessing these in the next 12 months, whereas the accounting framework under IFRS 9 requires these losses to be assessed on a forward-looking view, with a lifetime loss calculated where appropriate. Credit losses are supplemented by MAs, where required, under the accounting framework. Both the accounting and regulatory definitions of default are materially aligned, with default being triggered at 90 DPD, with the exception of the heritage Virgin Money mortgage models, that apply a 180 DPD regulatory default trigger under existing approved permissions. The definition of default will be fully aligned to 90 DPD when the regulatory models are updated in line with the hybrid model adoption.

Cure periods

The Bank aligns to the regulatory cure periods used in its IFRS 9 staging criteria (as Stage 2 or 3) at a minimum period of either 24, or 36 months, depending on the forbearance programme utilised. Where exposures are classified as Stage 2 or 3 as a result of not being in a forbearance programme, these can as a general rule cure and transfer to the appropriate stage when the relevant staging trigger is no longer applicable (i.e., there is no identifiable SICR or the exposure is no longer considered credit-impaired) although this treatment can vary by portfolio.

Credit risk exposures (audited)

The Bank is exposed to credit risk across all financial asset classes; however, its principal exposure to credit risk arises on customer lending balances. Given the relative significance of customer lending exposures to the Bank's overall credit risk position, the disclosures that follow are focused principally on customer lending.

The Bank is also exposed to credit risk on its other banking and treasury-related activities, and holds £16.2bn (2025: £10.9bn) of cash and balances with central banks and £0.5bn (2025: £0.4bn) due from other banks and similar institutions at amortised cost, with a further £3.8bn (2025: £6.2bn) of financial assets at fair value through other comprehensive income (FVOCI). Cash and balances with central banks includes £15.3bn of cash held with the BoE (2025: £9.9bn). Balances with other banks and similar institutions and financial assets at FVOCI are primarily held with senior investment grade counterparties. All other banking and treasury-related financial assets are classed as Stage 1 with no material ECL provision held**.**

The Bank's maximum exposure to credit risk on financial assets, contingent liabilities and credit-related commitments is shown below:

	2026		2025	
	£m	**%**	£m	%
Gross lending assets	**69,736**		71,207	
Impairment provisions(1)	**(679)**		(737)	
Net lending assets	**69,057**		70,470	
Contingent liabilities and credit-related commitments	**19,900**		19,080	
Maximum credit risk exposure on lending assets	**88,957**	**81%**	89,550	83%
Cash and balances with central banks	**16,158**	**15%**	10,882	10%
Financial instruments at FVOCI	**3,835**	**3%**	6,197	6%
Due from other banks and similar institutions	**528**	**-**	120	-
Other financial assets at fair value	**39**	**-**	48	-
Derivative financial assets	**13**	**-**	20	-
Fair value hedge adjustment	**(185)**	**-**	(116)	-
Due from related entities	**614**	**1%**	667	1%
Maximum credit risk exposure on all financial assets (2)	**109,959**	**100%**	107,368	100%

(1) The total ECL provision covers both on and off-balance sheet exposures, which are reflected in notes 3.1.1.1 and 3.7 respectively. All tables and ratios that follow are calculated using the combined on- and off-balance sheet ECL, which is consistent for all periods reported. Off-balance sheet exposures include financial guarantees and other credit commitments.

(2) Unless otherwise noted, the amount that best represents the maximum credit exposure at the reporting date is the carrying value of the financial asset.

The UK economy remained subdued during the year, with businesses continuing to face persistent cost pressures. The Bank of England base rate (Bank rate) decreased to 3.75%, although some borrowers continued to face increases in their mortgage rate when refinancing from historically low rates. The housing market remained resilient, with modest house price growth of 2.2% over the year to March 2026. The conflict in the Middle East towards the end of the year led to an increased level of economic uncertainty, however, no significant change in overall credit performance has been observed as at 31 March 2026.

Total gross lending to customers reduced by £1.5bn in the year to £69.7bn (2025: £71.2bn, as outlined in the Strategic report). The performance of the portfolio and overall asset quality remains robust, with the proportion in Stage 2 not past due remaining high at 94% (2025: 95%).

Significant external economic and geopolitical factors continue to have the potential to impact the short to medium-term performance of the portfolio. To mitigate this risk, the Bank carries a provision for impairments of £679m; this has reduced by 8% in the year from £737m to £679m, primarily due to the exit of the Salary Finance JV. Provision coverage has fallen accordingly from 104bps to 97bps.

The provision consists of modelled and IA provisions of £598m (2025: £640m), plus MAs of £81m (2025: £97m). The selection of appropriate MAs is a major component in determining the Bank's ECL; further detail is included on page 24.

The decrease in the impairment provision coupled with the individually assessed impairment charge of £202m in the year (18 months to 31 March 2025: £370m) results in a net charge to the SOCI of £180m (18 months to 31 March 2025: £429m) and an associated cost of risk of 26bps (18 months to 31 March 2025: 41bps).

Gross loans and advances[1] ECL and coverage (audited)

	2026		2025	
	£m	**%**	£m	%
Gross lending assets				
Stage 1	**60,522**	**86.8%**	61,585	86.5%
Stage 2 - total	**8,069**	**11.6%**	8,271	11.6%
Stage 2: 0 DPD	**7,576**	**10.9%**	7,874	11.1%
Stage 2: <30 DPD	**159**	**0.2%**	165	0.2%
Stage 2: >30 DPD	**334**	**0.5%**	232	0.3%
Stage 3[2]	**1,145**	**1.6%**	1,351	1.9%
	69,736	**100%**	71,207	100.0%
ECLs[3]				
Stage 1	**139**	**20.5%**	119	16.1%
Stage 2 - total	**359**	**52.9%**	406	55.1%
Stage 2: 0 DPD	**323**	**47.5%**	364	49.4%
Stage 2: <30 DPD	**15**	**2.2%**	17	2.3%
Stage 2: >30 DPD	**21**	**3.2%**	25	3.4%
Stage 3[2]	**181**	**26.6%**	212	28.8%
	679	**100%**	737	100.0%
Coverage				
Stage 1		**0.23%**		0.19%
Stage 2 - total		**4.45%**		4.91%
Stage 2: 0 DPD		**4.26%**		4.62%
Stage 2: <30 DPD		**9.43%**		10.30%
Stage 2: >30 DPD		**6.29%**		10.78%
Stage 3[2]		**15.81%**		15.69%
		0.97%		1.04%
Undrawn exposures				
Stage 1	**18,630**	**93.6%**	17,948	94.1%
Stage 2	**1,215**	**6.1%**	1,034	5.4%
Stage 3[2]	**55**	**0.3%**	98	0.5%
	19,900	**100%**	19,080	100.0%

(1) Excludes loans designated at fair value through profit or loss (FVTPL), balances due from customers on acceptances, accrued interest and deferred and unamortised fee income.
(2) Stage 3 includes POCI for gross loans and advances of £32m (2025: £35m); and ECL of £1m (2025: (£1m)).
(3) Includes £3m ECL held for off-balance sheet exposures (2025: £4m), of which £1m (2025: £1m) is held under Stage 1, £2m (2025: £2m) under Stage 2 and £Nil held under Stage 3 (2025: £1m).

Risk report (continued)
Credit risk (continued)

Credit risk exposure and ECL, by internal PD rating, by IFRS 9 stage allocation (audited)

The distribution of the Bank's credit exposures and ECL by internal PD rating is analysed below:

	Stage 1		Stage 2		Stage 3[(1)]		Total	
2026	**Lending £m**	**ECL £m**	**Lending £m**	**ECL £m**	**Lending £m**	**ECL £m**	**Lending £m**	**ECL £m**
PD range %								
Residential mortgages								
0.00 to < 0.15	**37,888**	**2**	**1,473**	**-**	**7**	**-**	**39,368**	**2**
0.15 to < 0.25	**5,859**	**1**	**355**	**1**	**1**	**-**	**6,215**	**2**
0.25 to < 0.50	**3,499**	**1**	**942**	**2**	**3**	**-**	**4,444**	**3**
0.50 to < 0.75	**682**	**-**	**531**	**2**	**2**	**-**	**1,215**	**2**
0.75 to < 2.50	**820**	**1**	**590**	**4**	**2**	**-**	**1,412**	**5**
2.50 to < 10.0	**103**	**1**	**386**	**4**	**1**	**-**	**490**	**5**
10.0 to < 100	**26**	**-**	**542**	**12**	**5**	**-**	**573**	**12**
100 (default)	**-**	**-**	**-**	**-**	**498**	**31**	**498**	**31**
Total	**48,877**	**6**	**4,819**	**25**	**519**	**31**	**54,215**	**62**
Consumer lending								
0.00 to < 0.15	**171**	**1**	**-**	**-**	**-**	**-**	**171**	**1**
0.15 to < 0.25	**119**	**1**	**-**	**-**	**-**	**-**	**119**	**1**
0.25 to < 0.50	**368**	**6**	**1**	**-**	**-**	**-**	**369**	**6**
0.50 to < 0.75	**510**	**15**	**7**	**1**	**-**	**-**	**517**	**16**
0.75 to < 2.50	**2,339**	**38**	**154**	**11**	**-**	**-**	**2,493**	**49**
2.50 to < 10.0	**1,373**	**45**	**698**	**82**	**-**	**-**	**2,071**	**127**
10.0 to < 100	**10**	**1**	**574**	**160**	**-**	**-**	**584**	**161**
100 (default)	**-**	**-**	**-**	**-**	**170**	**82**	**170**	**82**
Total	**4,890**	**107**	**1,434**	**254**	**170**	**82**	**6,494**	**443**
Business lending								
0.00 to < 0.15	**265**	**-**	**3**	**-**	**-**	**-**	**268**	**-**
0.15 to < 0.25	**389**	**-**	**4**	**-**	**-**	**-**	**393**	**-**
0.25 to < 0.50	**905**	**1**	**36**	**-**	**-**	**-**	**941**	**1**
0.50 to < 0.75	**865**	**1**	**20**	**-**	**-**	**-**	**885**	**1**
0.75 to < 2.50	**2,792**	**10**	**583**	**10**	**-**	**-**	**3,375**	**20**
2.50 to < 10.0	**1,538**	**14**	**971**	**46**	**-**	**-**	**2,509**	**60**
10.0 to < 100	**1**	**-**	**199**	**24**	**-**	**-**	**200**	**24**
100 (default)	**-**	**-**	**-**	**-**	**456**	**68**	**456**	**68**
Total	**6,755**	**26**	**1,816**	**80**	**456**	**68**	**9,027**	**174**

(1) Stage 3 includes POCI for gross lending of £32m for residential mortgages and £Nil for consumer lending (2025: £34m and £1m respectively); and ECL of £Nil for residential mortgages and £1m for consumer lending (2025: £Nil and (£1m) respectively).

2025	Stage 1 Lending £m	Stage 1 ECL £m	Stage 2 Lending £m	Stage 2 ECL £m	Stage 3[(1)] Lending £m	Stage 3[(1)] ECL £m	Total Lending £m	Total ECL £m
PD range %								
Residential mortgages								
0.00 to < 0.15	36,564	1	1,709	-	8	-	38,281	1
0.15 to < 0.25	7,183	2	368	1	1	-	7,552	3
0.25 to < 0.50	4,104	2	1,032	2	4	-	5,140	4
0.50 to < 0.75	629	1	541	1	2	-	1,172	2
0.75 to < 2.50	888	2	693	4	3	-	1,584	6
2.50 to < 10.0	92	1	481	8	2	-	575	9
10.0 to < 100	30	1	427	10	4	-	461	11
100	-	-	-	-	520	23	520	23
Total	49,490	10	5,251	26	544	23	55,285	59
Consumer lending								
0.00 to < 0.15	220	1	-	-	-	-	220	1
0.15 to < 0.25	143	1	-	-	-	-	143	1
0.25 to < 0.50	677	5	3	-	-	-	680	5
0.50 to < 0.75	695	6	11	1	-	-	706	7
0.75 to < 2.50	2,355	34	92	8	-	-	2,447	42
2.50 to < 10.0	890	28	736	135	-	-	1,626	163
10.0 to < 100	4	1	475	181	-	-	479	182
100	-	-	-	-	355	118	355	118
Total	4,984	76	1,317	325	355	118	6,656	519
Business lending								
0.00 to < 0.15	464	1	21	-	-	-	485	1
0.15 to < 0.25	599	-	7	-	-	-	606	-
0.25 to < 0.50	820	1	60	-	-	-	880	1
0.50 to < 0.75	410	1	125	-	-	-	535	1
0.75 to < 2.50	3,043	10	540	8	-	-	3,583	18
2.50 to < 10.0	1,770	20	801	32	-	-	2,571	52
10.0 to < 100	5	-	149	15	-	-	154	15
100	-	-	-	-	452	71	452	71
Total	7,111	33	1,703	55	452	71	9,266	159

(1) Stage 3 includes POCI for gross lending of £32m for residential mortgages and £Nil for consumer lending (2025: £34m and £1m respectively); and ECL of £Nil for residential mortgages and £1m for consumer lending (2025: £Nil and (£1m) respectively).

In terms of the credit quality of the loan commitments and financial guarantee contracts, 97% is classified as either ‘Good’ or ‘Strong’ under the Bank’s internal PD rating scale (2025: 97%) and the level of default remains low.

IFRS 9 staging (audited)

The following table shows the changes in the loss allowance and gross carrying value of the Bank's total customer lending portfolios. Values are calculated using the individual customer account balances, and the stage allocation is taken as at the end of each month. The monthly position of each account is aggregated to report a net closing position for the period, thereby incorporating all movements an account has made during the 12 month period.

	Stage 1		Stage 2		Stage 3[1]				
12 months to 31 March 2026	**Gross loans £m**	**ECL £m**	**Gross loans £m**	**ECL £m**	**Gross loans £m**	**ECL £m**	**Total gross loans £m**	**Total provisions £m**	**SOCI £m**
Opening balance at 1 April 2025	**61,585**	**119**	**8,271**	**406**	**1,351**	**212**	**71,207**	**737**	**-**
Transfers from Stage 1 to Stage 2	**(2,650)**	**(18)**	**2,650**	**18**	**-**	**-**	**-**	**-**	**-**
Transfers from Stage 2 to Stage 1	**2,106**	**97**	**(2,106)**	**(97)**	**-**	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(218)**	**(2)**	**(335)**	**(66)**	**553**	**68**	**-**	**-**	**-**
Transfers from Stage 3	**32**	**4**	**117**	**14**	**(149)**	**(18)**	**-**	**-**	**-**
Net remeasurement of ECL arising from transfer of stage	**-**	**(117)**	**-**	**111**	**-**	**63**	**-**	**57**	**57**
Net movement	**(730)**	**(36)**	**326**	**(20)**	**404**	**113**	**-**	**57**	**57**
New assets originated or purchased[2]	**12,766**	**43**	**960**	**51**	**53**	**(11)**	**13,779**	**83**	**83**
Net impact of further lending, payments and other movements	**(2,306)**	**42**	**(259)**	**32**	**288**	**13**	**(2,277)**	**87**	**87**
Changes in risk parameters in relation to credit quality	**-**	**(5)**	**-**	**(67)**	**-**	**(4)**	**-**	**(76)**	**(76)**
Redemptions	**(10,793)**	**(24)**	**(1,229)**	**(43)**	**(653)**	**(106)**	**(12,675)**	**(173)**	**(173)**
Write-offs	**-**	**-**	**-**	**-**	**(298)**	**(298)**	**(298)**	**(298)**	**-**
Cash recoveries	**-**	**-**	**-**	**-**	**-**	**52**	**-**	**52**	**-**
Individually assessed impairment charge[3]	**-**	**-**	**-**	**-**	**-**	**210**	**-**	**210**	**202**
Closing balance at 31 March 2026	**60,522**	**139**	**8,069**	**359**	**1,145**	**181**	**69,736**	**679**	**180**

	Stage 1		Stage 2		Stage 3[1]				
18 months to 31 March 2025	Gross loans £m	ECL £m	Gross loans £m	ECL £m	Gross loans £m	ECL £m	Total gross loans £m	Total provisions £m	SOCI £m
Opening balance at 1 October 2023	64,669	88	6,330	398	1,069	127	72,068	613	-
Transfers from Stage 1 to Stage 2	(4,809)	(11)	4,809	11	-	-	-	-	-
Transfers from Stage 2 to Stage 1	1,420	112	(1,420)	(112)	-	-	-	-	-
Transfers to Stage 3	(282)	(2)	(605)	(57)	887	59	-	-	-
Transfers from Stage 3	57	1	82	4	(139)	(5)	-	-	-
Net remeasurement of ECL arising from transfer of stage	-	(142)	-	157	-	36	-	51	51
Net movement	(3,614)	(42)	2,866	3	748	90	-	51	51
New assets originated or purchased[2]	16,826	50	1,036	81	127	(1)	17,989	130	130
Net impact of further lending, payments and other movements	(3,758)	53	(439)	29	264	7	(3,933)	89	89
Changes in risk parameters in relation to credit quality	-	(7)	-	(15)	-	7	-	(15)	(15)
Redemptions	(12,538)	(23)	(1,522)	(90)	(467)	(83)	(14,527)	(196)	(196)
Write-offs	-	-	-	-	(390)	(390)	(390)	(390)	-
Cash recoveries	-	-	-	-	-	85	-	85	-
Individually assessed impairment charge	-	-	-	-	-	370	-	370	370
Closing balance at 31 March 2025	61,585	119	8,271	406	1,351	212	71,207	737	429

(1) Stage 3 includes POCI for gross loans and advances of £32m for residential mortgages and £Nil for Consumer lending (2025: £34m and £1m respectively), and ECL of £Nil for residential mortgages and £(1)m for Consumer lending (2025: £Nil and (£1m) respectively). Nil for commercial lending in both periods.
(2) Includes assets where the term has ended, and a new facility has been provided.
(3) The SOCI impairment charge includes an £8m credit adjustment relating to the Salary Finance JV arrangement.

The IFRS 9 staging movements are driven by a variety of factors at the individual product portfolio level. Overall stage distribution has remained stable, with 86.8% of customer balances classed as Stage 1 at 31 March 2026, increasing from 86.5% at 31 March 2025. The Stage 2 population remained unchanged at 11.6%, while the Stage 3 population fell to 1.6% at 31 March 2026 from 1.9% at 31 March 2025.

IFRS 9 staging (audited) (continued)

At a portfolio level, the residential mortgage portfolio lending categorised as Stage 1 increased by 0.7% to 90.2%, offset by a reduction of lending classed as Stage 2 of 0.6% to 8.9%. Consumer lending classed as Stage 1 also remained relatively stable at 75.3% (74.9% at 31 March 2025). Lending in Stage 2 increased by 2.3% to 22.1% and lending categorised as Stage 3 reduced by 2.7% to 2.6%. The reduction in Stage 3 is a result of the closure of the Salary Finance JV, which reduced the Stage 3 balance by £212m. Business lending categorised as Stage 1 reduced by 1.9% to 74.8%, offset by an increase in lending categorised as Stage 2 of 1.7% to 20.1%.

Overall portfolio activity remains in line with expectations, with net movements across staging primarily affected by multiple economic scenarios (MES) and the harmonisation of credit provision methodologies with Nationwide rather than underlying customer performance.

The contractual amount outstanding on loans and advances that were written off during the reporting period and are still subject to enforcement activity was £15.8m (2025: £15.5m). The Bank did not purchase any lending assets in the current year or prior period.

Collateral

The quality of the Bank's residential mortgage portfolio can be considered in terms of the average LTV of the portfolio and the staging of the portfolio, as set out in the following tables:

Average LTV of residential mortgage portfolio by staging (audited)

2026	**Stage 1**			**Stage 2**			**Stage 3[2]**			**Total**		
LTV[1]	**Loans £m**	**%**	**ECL £m**	**Loans £m**	**%**	**ECL £m**	**Loans £m**	**%**	**ECL £m**	**Loans £m**	**%**	**ECL £m**
Up to 50%	**15,871**	**32**	**1**	**2,564**	**54**	**1**	**218**	**41**	**5**	**18,653**	**35**	**7**
50% to 60%	**8,774**	**18**	**1**	**778**	**16**	**3**	**89**	**17**	**2**	**9,641**	**18**	**6**
60% to 70%	**9,211**	**19**	**1**	**605**	**13**	**5**	**83**	**16**	**4**	**9,899**	**18**	**10**
70% to 80%	**7,898**	**16**	**1**	**448**	**9**	**7**	**51**	**10**	**4**	**8,397**	**15**	**12**
80% to 90%	**4,941**	**10**	**1**	**263**	**5**	**5**	**39**	**8**	**5**	**5,243**	**10**	**11**
90% to 100%	**2,166**	**5**	**1**	**155**	**3**	**3**	**20**	**4**	**3**	**2,341**	**4**	**7**
Over 100%	**16**	**-**	**-**	**6**	**-**	**1**	**19**	**4**	**8**	**41**	**-**	**9**
	48,877	**100**	**6**	**4,819**	**100**	**25**	**519**	**100**	**31**	**54,215**	**100**	**62**

2025	Stage 1			Stage 2			Stage 3[2]			Total		
LTV[1]	Loans £m	%	ECL £m	Loans £m	%	ECL £m	Loans £m	%	ECL £m	Loans £m	%	ECL £m
Up to 50%	16,780	35	2	2,979	58	3	231	43	4	19,990	35	9
50% to 60%	9,529	19	1	917	17	4	96	18	1	10,542	19	6
60% to 70%	9,988	20	2	717	14	6	85	15	3	10,790	20	11
70% to 80%	7,638	15	2	388	7	6	56	10	3	8,082	15	11
80% to 90%	4,147	8	2	171	3	4	32	6	3	4,350	8	9
90% to 100%	1,388	3	1	67	1	2	21	4	2	1,476	3	5
Over 100%	20	-	0	12	-	1	23	4	7	55	-	8
	49,490	100	10	5,251	100	26	544	100	23	55,285	100	59

(1) LTV of the residential mortgage portfolio is defined as residential mortgage portfolio weighted by balance. The portfolio is indexed using the MIAC Acadametrics indices at a given date.

(2) Stage 3 includes £32m (2025: £34m) of POCI gross loans and advances and £Nil ECL (2025: £Nil).

The residential mortgage portfolio remains highly secured with the majority of the portfolio less than 70% LTV. The change in profile in the year has been driven by repayments and redemptions of loans in the lower LTV ranges, updates to the LTV indices, and a continuation of a policy to support first time buyers to enter the property market.

During the year, the geographical distribution of the Bank's residential mortgages across the UK has remained broadly stable. The highest concentration of lending remains in Greater London and the South East, with the proportion of lending in these regions totalling 52% (2025: 53%).

Business lending collateral (audited)

The following table shows the collateral held, by type, for the Business lending portfolio at 31 March 2026. The exposure amount shown is net of credit provisions that have some form of associated collateral and is not the total exposure for each asset class.

2026	Property £m	Cash £m	Guarantee £m	Netting £m	Other physical collateral £m	Receivables £m	Total £m	Exposure £m
Financial assets at amortised cost								
Loans and advances to customers	**5,408**	**6**	**657**	**164**	**550**	**260**	**7,045**	**7,580**
Of which: Defaulted	**78**	**-**	**244**	**1**	**1**	**7**	**331**	**336**
2025								
Financial assets at amortised cost								
Loans and advances to customers	5,729	5	829	159	572	292	7,586	8,229
Of which: Defaulted	74	-	228	1	1	4	308	312

The business lending portfolio is diversified across a range of sectors and has remained broadly stable. The largest sectors being agriculture, business services, and government, health and education sectors totalling 43% (2025: 44%) of the total portfolio.

Forbearance

Another key indicator of asset quality is the level of loans subject to forbearance measures. Forbearance can occur when a customer is facing or about to face difficulties in meeting their financial commitments. In such circumstances, the Bank considers the customer's individual circumstances and uses judgement in assessing whether the customer is in, or approaching, financial difficulty, or if an impairment or default event has occurred.

The table below summarises the level of forbearance in respect of the Bank's lending portfolios at each balance sheet date.

2026	**Number of loans**	**Gross carrying amount £m**	**% of total portfolio**	**Impairment allowance £m**	**Coverage (%)**
Residential mortgages	**2,921**	**474**	**0.88%**	**16**	**3.34%**
Consumer lending	**38,348**	**148**	**2.28%**	**53**	**36.06%**
Business lending(1)	**262**	**419**	**4.38%**	**59**	**14.14%**
Total	**41,531**	**1,041**	**1.48%**	**128**	**12.31%**

2025	Number of loans	Gross carrying amount £m	% of total portfolio	Impairment allowance £m	Coverage (%)
Residential mortgages	3,343	500	0.91%	15	3.01%
Consumer lending	33,782	131	2.05%	59	45.13%
Business lending(1)	283	481	4.82%	65	13.47%
Total	37,408	1,112	1.55%	139	12.54%

(1) Includes a portfolio of financial assets at fair value. The gross value of fair value loans subject to forbearance is £0.2m (2025: £0.3m), now representing less than 0.01% of the total business portfolio (2025: 0.01%).

When all other avenues of resolution for residential mortgages, including forbearance, have been explored, the Bank will take steps to repossess and sell underlying collateral. There were 56 repossessions in the current year, of which 15 were voluntary (18 months to 31 March 2025: 125 repossessions, including 3 voluntary).

Forbearance measures for business customers are exercised, where appropriate, based on detailed consideration of the customer's financial position and prospects. Where a customer is part of a larger group, forbearance is exercised and reported across the Bank at the individual entity level. Where modification of the terms and conditions of an exposure meeting the criteria for classification as forbearance results in derecognition of loans and advances from the balance sheet and the recognition of a new exposure, the new exposure will be treated as forborne.

Macroeconomic assumptions, scenarios, and weightings

Management exercises judgement in estimating future economic conditions which are incorporated into provisions through modelling of multiple scenarios. The economic scenarios are reviewed and updated on a quarterly basis. The provision recognised is the probability-weighted sum of the provisions calculated under a range of economic scenarios. The scenarios and associated probability weights are derived using external data and statistical methodologies, together with management judgement. The Group continues to model four economic scenarios, which together encompass an appropriate range of potential economic outcomes. The base case scenario is aligned to the Bank's financial planning process. The upside and downside scenarios are reasonably likely favourable and adverse alternatives to the base case, and the severe downside scenario is aligned with the Group's internal stress testing.

The probability weightings applied to the scenarios were unchanged over the year and are shown in the table below.

Scenario probability weighting	**2026 (%)**	2025 (%)
Upside	**10**	10
Base	**45**	45
Downside	**30**	30
Severe downside	**15**	15

In the base case scenario, modest GDP growth of 1.4% is expected in 2026. In this scenario, unemployment is forecast to rise to 5.4% by the end of 2026. In the downside scenario, the GDP forecast reflects a significant UK recession, with peak unemployment increasing to 6.3%, whilst the severe downside scenario assumes a severe and longer-lasting economic downturn, with unemployment peaking at 8.8%.

The house price forecasts used within the provision calculations cover a wide range of outcomes. House prices are expected to increase in the base case scenario by 3.2% per annum over the next five years. The downside scenario assumes significant falls in 2027 and 2028, driven by a deterioration in economic conditions, while the severe downside scenario includes a fall in house prices of 28.7% from the end of 2025 to the low point in late 2028.

Bank rate in the base case scenario is expected to remain unchanged at 3.75% during 2026, with inflation expected to fall to the Bank of England target rate of 2.0% by the end of 2027. In the downside scenario, the recession results in Bank rate remaining at low levels from 2027 onwards, in order to stimulate economic demand. By contrast, the severe downside scenario assumes a sustained period of high inflation, requiring Bank rate to increase to 8.5%.

Five-year simple averages for the most sensitive inputs of unemployment, GDP and HPI (audited)

2026	**Unemployment %**	**GDP %**	**HPI %**
Upside	**4.2**	**2.1**	**4.7**
Base	**5.0**	**1.5**	**3.2**
Downside	**5.6**	**1.1**	**(0.3)**
Severe downside	**6.9**	**0.6**	**(2.6)**
2025			
Upside	4.0	2.0	4.2
Base	4.5	1.5	2.7
Downside	5.4	1.1	(0.3)
Severe downside	7.1	0.4	(3.3)

The use of estimates, judgements and sensitivity analysis

The following are the main areas where estimates and judgements are applied to the ECL calculation:

The use of estimates

Asset lifetimes

The calculation of the ECL allowance is dependent on the expected life of the Bank's portfolios. The Bank assumes the remaining contract term as the maximum period to consider credit losses wherever possible. For the Bank's credit card and overdraft portfolios, behavioural factors such as observed retention rates and other portfolio level assumptions are taken into consideration in determining the estimated asset life.

Economic scenarios

The calculation of the Bank's impairment provision is sensitive to changes in the chosen weightings as highlighted above. The effect on the closing modelled provision of each portfolio as a result of applying a 100% weighting to each of the selected scenarios is shown below:

2026	Probability Weighted[1] £m	Upside £m	Base £m	Downside £m	Severe downside £m
Modelled provision	**576**	**461**	**494**	**544**	**1,258**

2025	Probability Weighted[1] £m	Upside £m	Base £m	Downside £m	Severe downside £m
Modelled provision	566	454	468	489	1,465

(1) In addition to the probability weighted modelled provision shown in the table, the Bank holds £81m related to MAs (2025: £97m). Model outputs do not fully reflect the non-linear impacts that would arise from the economic assumptions. Using information from internal stress testing exercises, management have derived adjustments to probability of default and loss given default at a portfolio level which increased provisions by £46m (2025: £75m).

The table below shows the sensitivity of provisions at 31 March 2026 to changes in key economic variables and the probability weightings applied to the economic scenarios:

2026	Increase in provision £m
Single-factor sensitivity to key economic variables[1]	
10% decrease in house prices (HPI) as at 31 March and throughout the forecast period	**14**
1% increase in unemployment rate as at 31 March and throughout the forecast period	**30**
Sensitivity to changes in scenario probability weightings	
10% increase in the probability of the downside scenario (reducing the upside by a corresponding 10%)	**8**
5% increase in the probability of the severe downside scenario (reducing the downside by a corresponding 5%)	**36**

(1) These are single-factor sensitivities; therefore, they should not be extrapolated due to the likely non-linear effects. The provision impacts are calculated using the base case scenario. The house price sensitivity is the impact of a 10% decrease in house prices on LGD for the residential mortgage portfolio.

One of the criteria for moving exposures between stages is the lifetime PD which incorporates macroeconomic factors. As a result, the stage allocation will be different in each scenario and so the probability weighted ECL cannot be recalculated using the scenario ECL provided and the scenario weightings.

Certain asset classes are less sensitive to specific macroeconomic factors, showing lower relative levels of sensitivity. To ensure appropriate levels of ECL, the relative lack of sensitivity is compensated for through the application of MAs, further detail of which can be found on page 24. Within each portfolio, there are a number of macroeconomic inputs which drive the move from Stage 1 to Stage 2 under a stress scenario .

While the above sensitivities provide a view of how the ECL would be impacted based on these single changes, such changes would not ordinarily occur in isolation and the economic inputs used are linked within each chosen scenario.

The use of judgement

Significant increase in credit risk (SICR)

Judgement is required in determining the point at which a SICR has occurred, as it is the point at which a 12-month ECL is replaced by a lifetime ECL. The Bank has developed a series of triggers that indicate where a SICR has occurred when assessing exposures for the risk of default occurring at each reporting date compared to the risk at origination. There is no single factor that influences this decision, rather a combination of different criteria that enables the Bank to make an assessment based on the quantitative and qualitative information available. This assessment includes the impact of forward-looking macroeconomic factors but excludes the existence of any collateral implications. Indicators of a SICR include deterioration of the residual lifetime PD by set thresholds that are unique to each product portfolio, non-default forbearance programmes, and watch list status. The Bank adopts the backstop position that a SICR will have taken place when the financial asset reaches 30 DPD. The Bank does not have a set absolute threshold by which the PD would have to increase by, in order to establish that a SICR has occurred, and has implemented an approach with the required SICR threshold trigger varying on a portfolio and product basis according to the origination PD. The table below illustrates this approach with reference to the Bank's residential mortgage, consumer (credit cards) and business portfolios. In each case the illustration is of the PD threshold based on a five year full lifetime PD (not the annualised equivalent). The business example reflects the thresholds appropriate for term lending.

(audited)		**Origination PD**	**SICR Trigger**
Residential mortgages	Low origination lifetime PD	2.00%	5.69%
	High origination lifetime PD	10.00%	17.69%
Credit cards	Low origination lifetime PD	2.00%	15.90%
	High origination lifetime PD	10.00%	22.97%
	Low origination lifetime PD	2.00%	6.03%
Business	High origination lifetime PD	10.00%	16.70%

The use of judgement (continued)

Significant adjustments made in modelling provisions (audited)

The following table shows key MAs made in modelling provisions in relation to the significant areas of estimation uncertainty, with further details on each provided below.

	2026 £m	2025 £m
PD uplift for affordability risks	**22**	8
PD uplift for credit card persistent debt	**8**	12
LGD uplift for property valuation risks	**7**	7
Business lending portfolio risks	**26**	10
Technical/other	**18**	60
Total MAs	**81**	97

PD uplift for affordability risks

An additional uplift is applied for credit card and mortgage customers to reflect possible affordability pressures faced by borrowers, primarily within the residential mortgage portfolio. This adjustment includes the risks associated with borrowers who have switched to higher mortgage rates or are expected to switch to higher mortgage rates in the next two years.

PD uplift for credit card persistent debt

A borrower is defined as being in persistent debt if they have been paying more in interest, fees and charges than they are paying to reduce their outstanding balance, for at least 3 years. The Bank provides support to such borrowers, including the offer of forbearance, to help reduce the level of their credit card debt. To reflect an increase in risk since origination, accounts are moved to Stage 2 if they are approaching, or have reached, persistent debt status, and therefore receive a lifetime ECL.

LGD uplift for property valuation risks

An adjustment is made to reflect the property valuation risk associated with flats. We continue to hold an adjustment to provisions for this segment of the market while there is insufficient evidence of a recovery in the value of affected properties. An additional adjustment is made for properties in default.

Business lending portfolio risks

Adjustments to modelled provisions are recognised where appropriate to reflect risks within the business lending portfolio which are not fully captured by models. Although the provision models capture general economic uncertainty through the use of multiple economic scenarios, losses could also exceed modelled estimates as a result of concentration risks within the portfolio. An adjustment to increase provisions by £13m (2025: £Nil) has been estimated with reference to historic variation in frequency and value of large individual losses across the portfolio. In addition, a £13m (2025: £10m) adjustment continues to be recognised for the leveraged lending portfolio, reflecting the potential for loss given default to exceed modelled estimates, due in part to the limited volume of historical defaults available for model calibration. The cumulative impact of these two adjustments represents a significant judgement in the context of overall business lending provisions.

Technical/other

Following implementation of new provision models for the credit card portfolio, a range of technical MAs have been removed. Additionally, a small set of judgmental MAs have been refreshed.

Definition of default

The PD of a credit exposure is a key input to the measurement of the ECL allowance. Default under Stage 3 occurs when there is evidence that a customer is experiencing significant financial difficulty, which is likely to affect the ability to repay amounts due.

The use of judgement (continued)

Macroeconomic assumptions (audited)

Annual macroeconomic assumptions used over the five-year forecast period in the scenarios and their weighted averages are as follows:

2026

			Annual growth rate					5-year average[1]	Dec-25 to peak[2]	Dec-25 to trough[2]
			Forecast							
Scenario	Weighting	Economic measure	2026 %	2027 %	2028 %	2029 %	2030 %	%	%	%
Upside	10%	GDP growth	2.3	2.2	2.0	2.0	2.0	2.1	11.0	0.5
		HPI growth	5.4	5.1	4.7	4.4	4.0	4.7	25.8	1.4
		Unemployment	4.5	4.1	4.0	4.0	4.0	4.2	5.0	4.0
		Bank rate	4.0	4.5	4.5	4.5	4.5	4.3	4.5	3.8
		CPI	2.0	2.0	2.0	2.0	2.0	2.1	2.6	2.0
Base	45%	GDP growth	1.4	1.6	1.6	1.4	1.5	1.5	7.7	0.4
		HPI growth	3.2	3.2	3.2	3.2	3.2	3.2	17.3	0.7
		Unemployment	5.4	5.2	5.0	4.7	4.5	5.0	5.4	4.5
		Bank rate	3.8	3.3	3.3	3.3	3.3	3.4	3.8	3.3
		CPI	4.0	2.0	1.8	2.0	2.0	2.4	4.0	1.7
Downside	30%	GDP growth	(0.9)	(1.2)	3.3	2.4	1.9	1.1	5.6	(2.3)
		HPI growth	(1.5)	(8.0)	(8.6)	3.5	14.8	(0.3)	0.8	(18.1)
		Unemployment	6.1	6.2	5.6	5.1	5.0	5.6	6.3	5.0
		Bank rate	2.0	0.5	0.5	0.5	0.5	1.0	3.8	0.5
		CPI	0.5	0.3	1.0	1.8	2.0	1.2	2.4	0.2
Severe downside	15%	GDP growth	(1.0)	(3.2)	(0.6)	4.5	3.2	0.6	2.8	(5.0)
		HPI growth	(8.9)	(16.8)	(5.9)	10.9	10.6	(2.6)	(0.8)	(28.7)
		Unemployment	6.5	8.6	7.8	6.3	5.6	6.9	8.8	5.5
		Bank rate	4.0	7.5	5.0	4.3	3.8	5.0	8.5	3.8
		CPI	6.0	7.0	2.0	2.0	2.0	3.8	8.0	2.0
Weighted average		GDP growth	0.4	0.1	1.8	2.2	1.9			
		HPI growth	0.2	(2.9)	(1.5)	4.6	7.9			
		Unemployment	5.7	5.9	5.5	5.0	4.8			
		Bank rate	3.3	3.2	2.8	2.7	2.6			
		CPI	3.1	2.2	1.6	1.9	2.0			

(1) The average rate for GDP and HPI is based on the cumulative annual growth rate over the forecast period. Average unemployment and CPI is calculated using a simple average of quarterly points.

(2) GDP growth and HPI are shown as the largest cumulative growth/fall over the forecast period. The unemployment rate and CPI is shown as the highest/lowest rate over the forecast period.

The use of judgement (continued)

Macroeconomic assumptions (audited) (continued)

2025

			Annual growth rate					5-year average[1] %	Dec-24 to peak[2] %	Dec-24 to trough[2] %
			Forecast							
Scenario	Weighting	Economic measure	2025 %	2026 %	2027 %	2028 %	2029 %			
Upside	10%	GDP growth	1.7	2.0	2.0	2.0	2.0	2.0	10.2	0.3
		HPI growth	5.4	4.5	3.8	3.8	3.8	4.2	23.1	1.3
		Unemployment	4.1	4.0	4.0	4.0	4.0	4.0	4.3	4.0
		Bank rate	4.3	4.3	4.3	4.3	4.3	4.3	4.5	4.3
		CPI	2.5	2.0	2.0	2.0	2.0	2.1	2.7	2.0
Base	45%	GDP growth	1.4	1.7	1.6	1.6	1.4	1.5	8.0	0.2
		HPI growth	1.9	2.3	2.7	3.3	3.2	2.7	14.3	0.1
		Unemployment	4.7	4.6	4.4	4.3	4.3	4.5	4.7	4.3
		Bank rate	3.8	3.5	3.5	3.3	3.3	3.6	4.5	3.3
		CPI	3.4	2.0	2.0	2.0	2.0	2.3	3.5	1.8
Downside	30%	GDP growth	(0.9)	(1.2)	3.3	2.4	1.9	1.1	5.6	(2.1)
		HPI growth	(4.9)	(9.4)	(3.7)	8.7	9.3	(0.3)	(0.6)	(17.1)
		Unemployment	5.4	6.2	5.6	5.2	5.0	5.4	6.2	4.7
		Bank rate	2.5	0.5	0.5	0.5	0.5	1.3	4.5	0.5
		CPI	1.5	0.3	1.2	1.8	2.0	1.5	2.8	0.3
Severe downside	15%	GDP growth	(1.8)	(3.7)	2.8	2.8	2.2	0.4	2.2	(5.5)
		HPI growth	(12.4)	(18.1)	(1.8)	9.3	9.7	(3.3)	(1.4)	(30.1)
		Unemployment	5.9	8.4	8.5	7.0	6.0	7.1	9.3	4.8
		Bank rate	6.5	8.0	5.0	4.3	3.5	5.4	8.5	3.5
		CPI	6.5	7.0	2.2	2.0	2.0	4.1	8.0	2.0
Weighted average		GDP growth	0.3	0.1	2.4	2.1	1.8			
		HPI growth	(1.9)	(4.1)	0.2	5.9	6.1			
		Unemployment	5.0	5.6	5.3	4.9	4.7			
		Bank rate	3.8	3.4	2.9	2.7	2.6			
		CPI	3.2	2.2	1.8	1.9	2.0			

(1) The average rate for GDP and HPI is based on the cumulative annual growth rate over the forecast period. Average unemployment and CPI is calculated using a simple average using quarterly points.

(2) GDP growth and HPI are shown as the largest cumulative growth/fall over the forecast period. The unemployment rate and CPI is shown as the highest/lowest rate over the forecast period.

Risk report (continued)

Capital risk

Capital risk is the risk that the Bank does not hold sufficient capital to absorb losses across an economic cycle or to maintain the confidence of members, the Board, and regulators. Capital adequacy is assessed relative to the Bank's risk appetite, the material risks it faces, and the strategies in place to manage those risks. Following the Part VII transfer on 2 April 2026, a significant proportion of customer assets and liabilities moved to Nationwide, materially reducing the Bank's credit risk exposures and associated capital risk.

Mitigation

Capital risk is mitigated through an active capital management framework, including ongoing monitoring of regulatory capital ratios against Group approved risk appetite and internal triggers. The Bank undertakes regular capital forecasting and stress testing to assess its ability to remain above minimum requirements under a range of plausible scenarios, with management actions identified and maintained to protect capital where needed. Capital planning is supported by governance through appropriate committees, and capital instruments are managed and issued at Group level by Nationwide and down-streamed to the Bank as appropriate to ensure an efficient and resilient capital structure aligned to the wider Group Capital Framework.

Measurement

The Bank manages capital in accordance with prudential rules issued by the Prudential Regulation Authority (PRA) and the FCA. Pillar 1 capital requirements are calculated in respect of credit risk, operational risk, market risk, counterparty credit risk and credit valuation adjustments. The capital requirements for credit risk are calculated using the following approaches:

- Retail mortgages: IRB;
- Business lending: Foundation internal ratings based (FIRB);
- Specialised lending: IRB slotting; and
- All other portfolios: Standardised approach, via either sequential IRB implementation or Permanent Partial Use.

Monitoring

The Board approves the capital risk appetite, defining minimum levels of capital across a range of capital ratios and measurements. The internal appetite ensures the Bank operates above minimum regulatory requirements with reporting conducted through GALCO, Board and Group Executive Risk Committee. The capital plan, which assesses capital adequacy on a forward-looking basis, is also approved by the Board annually. The annual planning process is supported by rolling forecasting which is reported to GALCO monthly. This ensures that performance trends are reviewed and that there is transparency over the impact on capital ratios, risk appetite, and the outlook. As part of the monthly forecasting process, scenario analysis considers adverse impacts to economic conditions and modelling sensitivities, including changes to regulation. These processes all support the Bank's management of capital and informs the CET1 target operating range. Further information on capital risk can be found in the Pillar 3 disclosures of the Bank and of the ultimate parent company, Nationwide Building Society.

Capital ratios and requirements

	2026			2025		
	CET1	**Total capital**	**Leverage**	CET1	Total capital	Leverage
Pillar 1 requirements	**4.50%**	**8.00%**	**3.25%**	4.50%	8.00%	3.25%
Pillar 2A requirements	**2.01%**	**3.58%**	**-**	2.12%	3.76%	-
Minimum capital requirements	**6.51%**	**11.58%**	**3.25%**	6.62%	11.76%	3.25%
Combined buffers	**4.50%**	**4.50%**	**0.70%**	4.50%	4.50%	0.70%
Overall capital requirement	**11.01%**	**16.08%**	**3.95%**	11.12%	16.26%	3.95%
Closing reported capital ratios	**14.28%**	**19.32%**	**6.28%**	14.15%	19.41%	5.53%
Surplus above capital requirements	**3.27%**	**3.24%**	**2.33%**	3.03%	3.15%	1.58%

The Bank continues to exceed its CET1 capital requirements with a surplus of 3.27% (£973m) at March 2026. The Bank's leverage exposure was £78,792m, with a Tier 1 capital surplus of 2.33% (£1,834) held in excess of the leverage requirement.

The Bank's capital resources position as at 31 March 2026 is summarised below:

Regulatory capital[1]	**2026**	2025
	£m	£m
Statutory total equity[2]	**5,606**	5,596
Impact of individual consolidation adjustments		
CET1 capital: regulatory adjustments[3]		
Other equity instruments	**(698)**	(693)
Defined benefit pension fund assets	**(275)**	(267)
Prudent valuation adjustment	**(10)**	(13)
Intangible assets	**-**	(92)
Goodwill	**-**	(11)
Deferred tax asset relying on future profitability	**(233)**	(259)
Cash flow hedge reserve	**(60)**	(169)
AT1 coupon accrual	**(5)**	(15)
TMLA fee	**-**	(18)
Excess expected losses[4]	**(77)**	(99)
CET1 holdings in financial sector entities	**-**	(60)
Total regulatory adjustments to CET1	**(1,358)**	(1,696)
Total CET1 capital	**4,248**	3,900
AT1 capital		
AT1 capital instruments	**698**	693
Total AT1 capital	**698**	693
Total Tier 1 capital	**4,946**	4,593
Tier 2 capital		
Subordinated debt	**793**	754
Excess of provisions over expected losses[4]	**8**	-
Total Tier 2 capital	**801**	754
Total regulatory capital	**5,747**	5,347

(1) Data in the table is reported under CRD V on a fully loaded basis.

(2) The Bank has taken advantage of the provisions of Article 9 of the CRR to include certain subsidiaries within its capital calculations as if it was a single entity. The position above therefore represents the solo consolidated group rather than Clydesdale Bank PLC entity.

(3) A number of regulatory adjustments to CET1 capital are required under CRD V regulatory capital rules.

(4) Following a recent refresh of the Mortgage Hybrid Model MAs, provisions in default have exceeded regulatory expected losses on those balances and as such excess IFRS9 provisions over expected losses have been included within Tier 2 capital. For non-default exposures expected losses exceed IFRS9 provisions and this excess has been deducted from CET1 as in previous years.

CET1 capital on a Clydesdale Bank PLC solo consolidated basis increased by £348m. Capital generated from profit was utilised to fund distributions of £77m in the form of AT1 coupons. £285m of downstream capital from Nationwide absorbed the capital impact of accounting and regulatory alignment adjustments made during the year. These adjustments related to the impacts of the acquisition by Nationwide and post-acquisition capital restructuring.

RWA[1]

	2026			2025		
Minimum capital requirements	**Exposure £m**	**RWA £m**	**Minimum capital requirement £m**	Exposure £m	RWA £m	Minimum capital requirement £m
Retail mortgages	**56,641**	**12,032**	**963**	58,092	9,343	747
Business lending	**12,772**	**8,987**	**719**	13,768	9,258	741
Other retail lending	**20,143**	**4,691**	**375**	18,199	4,599	368
Other lending	**20,404**	**154**	**12**	17,574	264	21
Other[2]	**480**	**703**	**57**	789	897	72
Total credit risk	**110,440**	**26,567**	**2,126**	108,422	24,361	1,949
Credit valuation adjustment		**8**	**1**		19	1
Operational risk		**3,127**	**250**		3,091	247
Counterparty credit risk		**40**	**2**		84	7
Total	**110,440**	**29,742**	**2,379**	108,422	27,555	2,204

(1) The Bank has taken advantage of the provisions of Article 9 of the CRR to include certain subsidiaries within its RWA calculations as if it was a single entity. The results above therefore represent the solo consolidated group rather than Clydesdale Bank PLC entity.
(2) The items included in the Other exposure class that attract a capital charge include items in the course of collection, fixed assets, prepayments, other debtors and deferred tax assets that are not deducted.

RWA increased c.£2.2bn to £29.7bn, predominantly driven by an increase in retail mortgage RWAs that reflected a one-off £3.0bn increase in the temporary model adjustment applied to the Bank's existing IRB mortgage models, following regulatory feedback as part of the ongoing model approval process. Over time, Nationwide intends to align IRB modelling approaches across the Nationwide Group.

The BoE framework for setting minimum requirement for own funds and eligible liabilities (MREL) requires the Bank to hold capital resources and eligible debt instruments equal to the greater of two times the Total Capital Requirement or two times the UK Leverage Ratio requirement. In addition to MREL, the Bank must also hold any applicable capital buffers, which together with MREL represent the Bank's LAC requirement. As at 31 March 2026, the Bank's risk-based LAC requirement of 27.7% of RWA exposures (or 10.4% when expressed as a percentage of leverage) was greater than the leverage-based LAC requirement of 9.3% of leverage exposure, meaning the RWA measure is the binding requirement.

MREL resources were £9.3bn (2025: £8.4bn) equivalent to 31.2% of RWA exposures (2025: 30.3%) or 11.8% when expressed as a percentage of leverage (2025: 10.0%). This provides prudent headroom of £1.0bn or 3.5% above the LAC requirement expressed as RWAs, or 1.4% above the LAC requirement of 10.4% when expressed as a percentage of leverage exposure. The Bank has taken advantage of the provisions of Article 9 of the CRR to include certain subsidiaries within its MREL calculations as if it was a single entity. The results above therefore represent the solo consolidated group rather than Clydesdale Bank PLC entity.

Pillar 3 disclosures - UK Capital Requirements Regulation

Pillar 3 disclosure requirements are set out within the Disclosure (CRR) part of the PRA rulebook. The disclosures required under the PRA framework are substantially equivalent to those required by Part Eight of the EU CRR.

As part of the arrangements of the acquisition of Virgin Money by Nationwide Building Society in October 2024, the PRA applied sub-consolidation prudential requirements to Virgin Money and sub-consolidated Pillar 3 disclosures continued to be required. This Direction was revoked by the PRA on 1 December 2025, meaning that Pillar 3 Disclosures are no longer required at the Virgin Money sub-consolidated level. Pillar 3 Disclosures are now produced on a solo consolidated level consisting of Clydesdale Bank PLC and its subsidiaries, YBHL, CGF No. 9 Limited and CYB Intermediaries Limited. The Clydesdale Bank PLC solo disclosures, for the year to 31 March 2026, will be issued concurrently with the Annual Report and Accounts and can be found at www.virginmoneyukplc.com/investor-relations/results-and-reporting/annual-reports/

Risk report (continued)
Liquidity and funding risk

Liquidity risk is the risk that the Bank is unable to meet its liabilities as they fall due and maintain member and other stakeholder confidence. Funding risk is the risk that the Bank is unable to maintain diverse funding sources in wholesale and retail markets and manage retail funding risk that can arise from excessive concentrations of higher risk deposits.

Throughout the year, the Bank has been predominantly funded by retail and business deposits. Customer funding is supported by the Bank's wholesale funding programmes and the Bank has also drawn against the BoE Term Funding Scheme with additional incentives for SMEs (TFSME).

The Bank's primary liquidity risk exposure throughout the year arose through the redemption of retail deposits where customers have the ability to withdraw funds with limited or no notice. Exposure also arose from the refinancing of customer and wholesale funding at maturity and the requirement to fund new and existing committed lending obligations including mortgage pipeline and credit card facilities.

Following the Part VII transfer on 2 April 2026, customer assets and liabilities moved to Nationwide. Going forward, the Bank will no longer take customer deposits but will continue to issue Scottish banknotes, which will be funded primarily through banknotes in circulation. Liquidity and funding exposures will be limited, predominantly arising from timing gaps in the note issuance process. As a result, the Bank's liquidity and funding risk appetite has been rationalised to reflect the simplified balance sheet, while continuing to ensure compliance with standalone regulatory requirements.

Measurement

Liquidity and funding risks are subject to a range of measures contained within the Bank risk appetite which reflect both regulatory requirements and the Bank's own view on risk sensitivities.

The Bank's funding plan establishes an acceptable level of funding risk which is approved by the Board and is consistent with risk appetite and the Bank's strategic objectives. The development of the funding plan is informed by the requirements of the risk policies.

Liquidity is managed in accordance with the Internal Liquidity Adequacy Assessment Process (ILAAP), approved by the Board. Exposures are assessed against both regulatory and internal requirements, with the Bank's liquid asset portfolio defined through a series of stress testing.

The Treasury function is responsible for the development and execution of the Bank's liquidity and funding strategy subject to oversight from the Risk function and review at GALCO. The Bank maintains a strong liquidity and funding position and seeks to achieve an appropriate balance between profitability, liquidity risk and balance sheet optimisation.

Monitoring

Liquidity is monitored and measured daily by the Bank, with reporting conducted through GALCO and the Group Executive Risk Committee. In a stress situation or in adverse conditions, the level of monitoring and reporting is increased commensurate with the nature of the stress event.

Monitoring and control processes are in place against internal and regulatory liquidity requirements. The Bank monitors a range of market and internal early warning indicators on a routine basis for early signs of liquidity risk in the market or specific to the Bank.

Mitigation

The Bank holds a portfolio of High-Quality Liquid Assets (HQLA) that can be utilised in times of stress. The size of the HQLA portfolio is calibrated based on potential stress outflows. Following the Part VII transfer, the Bank only holds liquidity as reserves at the Bank of England or physical cash. In addition, Nationwide provides an intragroup funding facility to the Bank which can be used to cover unexpected liquidity needs.

Throughout the year the Bank's funding sources have remained well-diversified in terms of the type of instrument and product, counterparty, term structure and market. Wholesale funding has supported balance sheet growth, lengthening the contractual tenor and diversifying sources. The secured funding programmes have leveraged the Bank's high-quality mortgage book as collateral. The Bank has used the repo markets for managing cash flows to generate funds and can also participate in BoE operations through the Sterling Monetary Framework (SMF).

The Bank recovery plan and liquidity contingency plan have been established for management of an escalated liquidity event. The plans identify triggers for escalation and define the governance framework to manage the action plan and return the balance sheet structure within appetite.

Sources of funding (audited)

The table below provides an overview of the Bank's sources of funding as at 31 March 2026:

	2026 £m	2025 £m
Total assets	**91,020**	89,701
Less: other liabilities(1)	**(1,779)**	(2,021)
Funding requirement	**89,241**	87,680
Funded by:		
Customer deposits(2)	**72,711**	70,383
Debt securities in issue(2)	**3,749**	4,438
Due to related entities(2)	**6,224**	6,342
Due to other banks and similar institutions(2)	**975**	934
of which:		
Secured loans	***908***	*910*
Securities sold under agreements to repurchase	***-***	*10*
Transaction balances with other banks	***58***	*10*
Deposits with other banks	***9***	*4*
Equity	**5,582**	5,583
Total funding	**89,241**	87,680

(1) Other liabilities include derivatives, deferred tax liabilities, provisions for liabilities and charges, accruals and deferred income, and other liabilities as per the balance sheet line item and as also included within liabilities of the disposal group held for distribution (note 3.8).

(2) At 31 March 2026, these amounts are included within liabilities of the disposal group held for distribution (note 3.8).

The Bank's funding objective is to prudently manage the sources and tenor of funds in order to provide a sound base from which to support sustainable lending. At 31 March 2026, the Bank had a funding requirement of £89,241m (2025: £87,680m) with the majority being used to support loans and advances to customers. During the year, the Bank has been comfortably in excess of regulatory and internal requirements. The 12-month average NSFR as at 31 March 2026 is 143% (2025: 142%).

Liquid assets

The Bank's LCR, which averaged 164% over the 12 months ended 31 March 2026 (2025: 158%), demonstrates that sufficient high-quality liquid assets are held to survive a short-term severe but plausible liquidity stress.

The quantity and quality of the Bank's liquid assets are calibrated to the Board's view of liquidity risk appetite and remain at a prudent level above regulatory requirements.

The liquid asset portfolio provides a buffer against sudden and potentially sharp outflows of funds. At 31 March 2026, the liquid asset portfolio is primarily comprised of cash at the BoE, UK Government securities (Gilts) and listed securities (for example bonds issued by supra-nationals and AAA-rated covered bonds).

The volume and quality of the Bank's liquid asset portfolio is defined through a series of internal stress tests across a range of time horizons and stress conditions. Due to the reduced liquidity and funding risk exposure and simplicity of the Bank's balance sheet after the Part VII transfer, going forward stress testing is assessed only through the regulatory methodology.

Liquid assets (continued)

The key risk driver assumptions applied to the scenarios are:

Liquidity risk driver	Modelling assumptions used
Deposit funding	Significant unexpected outflows are experienced with no new deposits received.
Wholesale funding	Following a credit rating downgrade: - zero rollover of maturing long-term wholesale funding; - zero rollover of maturing short-term funding received from financial counterparties and partial roll-over from non-financial counterparties; and - no new wholesale funding received.
Off-balance sheet	Contractual outflows occur in relation to secured funding programmes and central derivatives clearing due to credit rating downgrades. Lending commitments continue to be met. Collateral outflows arise due to adverse movements in market rates. Expected inflows from mortgages, consumer, business and commercial loans are recognised.
Intra-day	Liquidity is needed to pre-fund outgoing payments.
Liquid assets	Asset values are reduced in recognition of the stressed conditions assumed.

The Bank monitors the movements in its credit ratings and the related requirement to post collateral for payment systems and clearing houses. These figures are not considered material compared to the volume of unencumbered liquid assets.

As at 31 March 2026, the Bank held eligible liquid assets well in excess of 100% of net stress outflows and Pillar 2 liquidity requirements, as defined through internal risk appetite.

Liquid asset portfolio(1) (audited)	2026 £m	2025 £m	Change %	Average 2026 £m	Average 2025 £m
Level 1					
Cash and balances with central banks	**14,281**	8,969	**59.2**	**11,453**	9,624
UK Government treasury bills and gilts	**1,565**	2,237	**(30.0)**	**1,804**	1,808
Other debt securities	**1,801**	3,136	**(42.6)**	**2,539**	3,086
Total level 1	**17,647**	14,342	**23.0**	**15,796**	14,518
Level 2(2)	**274**	623	**(56.0)**	**497**	602
Total LCR eligible assets	**17,921**	14,965	**19.8**	**16,293**	15,120

(1) Excludes encumbered assets.
(2) Includes Level 2A and Level 2B.

The liquid asset portfolio is marked to market and fully hedged from an interest, inflation and foreign exchange risk perspective. All fair value movements are therefore recognised in CET1 via the SOCI (market risk) or FVOCI reserve (credit risk). The Interest Rate Risk in the Banking Book (IRRBB) stress testing framework includes limits to manage the stressed credit spread risk arising from hedging the fixed rate securities in the Bank's liquid asset portfolio. This ensures the composition of the total portfolio is controlled and the exposure will not exceed internal appetite or the amount of capital allocated. Cash balances increased over the period as certain securities were divested in anticipation of the Part VII transfer. Following the Part VII transfer, the Bank will hold liquidity only as reserves or physical cash at the BoE to support transactional requirements from note issuance and circulation.

Encumbered assets

The Bank manages the level of asset encumbrance to ensure appropriate volumes of assets are maintained to support future planned and potential stressed funding requirements. The Bank's risk appetite includes an internal limit for levels of encumbrance. Reasons for asset encumbrance include, among others, supporting the Bank's secured funding programmes to provide stable term funding to the Bank, the posting of assets in respect of drawings under the TFSME scheme, use of assets as collateral for payments systems to support customer transactional activity and providing security for the Bank's issuance of Scottish bank notes. Following the Part VII transfer of the Bank's secured funding programmes and TFSME drawings, asset encumbrance will mainly arise from note backing assets used for issuing the Scottish bank notes.

Encumbered assets by asset category (audited)

2026	Assets encumbered with non-Central Bank counterparties				Other assets					
						Assets not positioned at the Central Bank				
	Covered Bonds £m	Securitisations £m	Other £m	Total £m	Positioned at the Central Bank (including encumbered) £m	Readily available for encumbrance £m	Other assets capable of being encumbered £m	Cannot be encumbered £m	Total £m	Total £m
Cash and balances with central banks	-	-	-	-	1,258	-	-	-	1,258	1,258
Assets of the disposal group held for distribution[(1)]	12,569	3,722	709	17,000	12,911	40,970	17,479	1,402	72,762	89,762
Total assets	**12,569**	**3,722**	**709**	**17,000**	**14,169**	**40,970**	**17,479**	**1,402**	**74,020**	**91,020**

2025	Assets encumbered with non-Central Bank counterparties				Other assets					
						Assets not positioned at the Central Bank				
	Covered Bonds £m	Securitisations £m	Other £m	Total £m	Positioned at the Central Bank (including encumbered) £m	Readily available for encumbrance £m	Other assets capable of being encumbered £m	Cannot be encumbered £m	Total £m	Total £m
Loans and advances to customers	9,003	6,371	-	15,374	14,094	22,595	18,458	-	55,147	70,521
Cash and balances with central banks	-	-	-	-	2,305	8,577	-	-	10,882	10,882
Due from other banks and similar institutions	-	-	101	101	-	19	-	-	19	120
Derivatives	-	-	-	-	-	-	-	20	20	20
Financial instruments at FVOCI	-	-	700	700	-	5,497	-	-	5,497	6,197
Other assets	-	-	-	-	-	-	-	1,961	1,961	1,961
Total assets	9,003	6,371	801	16,175	16,399	36,688	18,458	1,981	73,526	89,701

(1) Assets of the disposal group held for distribution are shown within note 3.8.

The Bank's total non-central bank asset encumbrance increased by £825m from £16,175m to £17,000m as at 31 March 2026. This was primarily due to an increase in the size of the Covered Bond mortgage collateral pool to support repurchase agreements with Nationwide, partially offset by a reduction in encumbrance due to securitisation as a result of the closure of the Lannraig buy to let mortgage backed securities programme. The Bank did not issue any new covered bonds to new external investors during the year.

Cash and balances with central banks of £16,158m (note 3.1.1.2), of which £14,900m are included in the assets of the disposal group held for distribution, include: £1,258m of assets that are encumbered to support the issuance of Scottish bank notes (excluding notes not in circulation) and to support payments systems; and £119m of mandatory central bank deposits, which are excluded from LCR to cover operating expenses.

Financial assets at FVOCI of £3,835m (note 3.1.2), which are included in the assets of the disposal group held for distribution, include £197m of encumbered UK government treasury bills and gilts, held for regulatory purposes.

Within the assets of the disposal group held for distribution are encumbered loans and advances to customers for covered bonds and securitisations which are included in the relevant pools. This includes mortgage over-collateralisation above the level required to support bond issuance.

Assets and liabilities by maturity (audited)

The following tables represent a breakdown of the Bank's balance sheet according to the contractual maturity of the assets and liabilities. Assets and liabilities of the disposal group have been presented as individual line items. Many of the longer-term monetary assets are variable rate products, with behavioural maturities shorter than the contractual terms. The majority of customer deposits are repayable on demand or at short notice on a contractual basis, with behavioural maturities typically longer than their contractual maturity. Accordingly, this information is not relied upon by the Bank in its management of interest rate risk. The Bank has disclosed certain term facilities within loans and advances to customers with a revolving element at the maturity of the facility as this best reflects their contractual maturity. This is included within assets of the disposal group held for distribution for the current year.

2026(1)	Call £m	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specified maturity £m	Total £m
Assets							
Financial instruments							
At amortised cost							
Cash and balances with central banks	761	-	-	-	-	497	1,258
Assets of the disposal group held for distribution(2)	16,447	737	1,596	9,446	54,409	6,169	88,804
Total assets	17,208	737	1,596	9,446	54,409	6,666	90,062
Liabilities							
Liabilities of the disposal group held for distribution(2)	52,128	7,315	17,638	6,597	14	-	83,692
Total liabilities	52,128	7,315	17,638	6,597	14	-	83,692
Off balance sheet items							
Financial guarantees	-	7	25	16	36	-	84
Other credit commitments	19,816	-	-	-	-	-	19,816
Total off-balance sheet items	19,816	7	25	16	36	-	19,900

(1) The analysis excludes certain financial assets and liabilities relating to accruals, trade payables and settlement balances which are generally short-term in nature, and lease liabilities.

(2) Assets and liabilities of the disposal group held for distribution are shown within note 3.8.

Assets and liabilities by maturity (continued)

2025[1]	Call £m	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specified maturity[2] £m	Total £m
Assets							
Financial instruments							
At amortised cost							
Loans and advances to customers[3]	752	703	1,213	7,998	54,117	5,691	70,474
Fair value adjustment for portfolio hedged risk	-	-	-	(5)	(111)	-	(116)
Cash and balances with central banks	9,945	-	-	-	-	937	10,882
Due from other banks and similar institutions	120	-	-	-	-	-	120
At FVOCI	-	148	529	2,835	2,685	-	6,197
At FVTPL							
Loans and advances to customers	-	-	2	10	35	-	47
Derivatives	5	-	5	8	2	-	20
Other	-	-	-	-	-	1	1
Due from related entities	564	37	3	7	-	56	667
Total assets	11,386	888	1,752	10,853	56,728	6,685	88,292
Liabilities							
Financial instruments							
At amortised cost							
Customer deposits	47,172	7,484	14,365	1,362	-	-	70,383
Debt securities in issue	-	44	759	3,635	-	-	4,438
Due to other banks and similar institutions	14	10	10	900	-	-	934
At FVTPL							
Derivatives	-	3	12	43	16	-	74
Due to related entities	592	308	1,227	4,215	-	-	6,342
Total liabilities	47,778	7,849	16,373	10,155	16	-	82,171
Off balance sheet items							
Financial guarantees	-	12	33	15	2	38	100
Other credit commitments	18,980	-	-	-	-	-	18,980
Total off-balance sheet items	18,980	12	33	15	2	38	19,080

(1) The analysis excludes certain financial assets and liabilities relating to accruals, trade payables and settlement balances which are generally short-term in nature, and lease liabilities.

(2) The no specified maturity within loans and advances to customers relates to credit cards.

(3) Comparatives have been restated to reclassify certain business term lending amounts with revolving credit facilities between maturity categories, to align to contractual maturity dates, irrespective of earlier rollover dates.

Cash flows payable under financial liabilities by contractual maturity[(1)]

2026	**Call £m**	**3 months or less £m**	**3 to 12 months £m**	**1 to 5 years £m**	**Over 5 years £m**	**No specified maturity £m**	**Total £m**
Liabilities							
Financial instruments							
Liabilities of the disposal group held for distribution[(2)]	**52,126**	**7,446**	**18,257**	**7,121**	**5**	**-**	**84,955**
Total liabilities	**52,126**	**7,446**	**18,257**	**7,121**	**5**	**-**	**84,955**

2025	Call £m	3 months or less £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specified maturity £m	Total £m
Liabilities							
Financial instruments							
At amortised cost							
Customer deposits	47,270	7,541	14,665	1,396	-	-	70,872
Debt securities in issue	-	71	847	3,864	-	-	4,782
Due to other banks and similar institutions	14	10	39	933	-	-	996
At FVTPL							
Trading derivatives	-	6	11	15	6	-	38
Hedging derivatives							
Contractual amounts payable	-	-	66	1,179	-	-	1,245
Contractual amounts receivable	-	-	(44)	(1,110)	-	-	(1,154)
Due to related entities	592	272	1,421	4,579	-	-	6,864
Total liabilities	47,876	7,900	17,005	10,856	6	-	83,643

(1) The analysis excludes certain liabilities relating to accruals, trade payables and settlement balances which are generally short-term in nature and lease liabilities.

(2) Liabilities of the disposal group held for distribution are shown within note 3.8.

The balances in the cash flow tables above do not agree directly to the balances in the balance sheet, or the assets and liabilities by maturity tables presented above, as the tables incorporate all cash flows, on an undiscounted basis, related to both principal and future coupon payments.

Market risk

Market risk is the risk of loss associated with adverse changes in the value of assets and liabilities held by the Bank due to movements in market factors such as interest rates (duration risk), customer behaviour (optionality risk), the movement in rate spreads across types of assets or liabilities (basis risk and credit spread risk) and foreign exchange risk. The Bank's balance sheet is predominantly UK-based and is denominated in GBP, therefore foreign exchange is not a material risk for the Bank.

Banking services include the provision of foreign exchange risk management products and interest rate derivative products to enable customers to manage risks within their businesses. Any non-GBP denominated funding issuances and any foreign currency securities purchased are cross-currency swapped to sterling for the term of the instrument.

Following the Part VII transfer on 2 April 2026, substantially all customer assets and liabilities have moved to Nationwide. Market risk exposures are limited, primarily resulting from movements in interest rates on backing assets that support the transactional requirements for note issuance and circulation

The Bank does not have a trading book and therefore is only exposed to non-traded market risk. Market risk principally arises through IRRBB, small foreign exchange exposure and the management of assets to support liquidity requirements, including Credit Spread Risk in the Banking Book (CSRBB). It comprises the sensitivity of the Bank's current and future net interest income and economic value to movements in market interest rates. The major contributors to interest rate risk are:

- the mismatch, or duration, between repricing dates of interest-bearing assets and liabilities;
- basis risk or assets and liabilities repricing to different reference rates, for example, customer asset and liability products repricing against BoE base rate and Sterling Over Night Indexed Average (SONIA); and
- customer optionality, for example the right to repay borrowing in advance of contractual maturity dates.

As a subsidiary of Nationwide, the Bank operates under The Building Societies Act and adheres to specific restrictions regarding derivative products. Market risks associated with these activities are monitored daily, remain immaterial, and are effectively managed through established controls such as hedging and natural offsets.

Measurement

IRRBB is measured, monitored, and managed from both an internal risk appetite and an external regulatory perspective. The ERMF incorporates both market valuation and earnings-based approaches. In accordance with the Bank IRRBB policy, risk measurement techniques include: daily basis point sensitivity, net interest income sensitivity, Value at Risk (VaR), changes in the economic value of equity (EVE), interest rate risk stress testing, and scenario analysis.

Mitigation

Market risks are overseen by GALCO with delegation for day-to-day management given to Treasury. Treasury uses a number of techniques and products to manage market risks including interest rate swaps, cash flow netting and foreign exchange derivatives.

The Bank uses derivative financial instruments to manage its exposures within approved limits and not for speculative purposes. The Bank elects to apply hedge accounting for the majority of its risk management activity that uses derivatives. Certain derivatives are designated as either fair value hedge or cash flow hedge:

Fair value hedges – the Bank hedges part of its existing interest rate risk and foreign currency risk, resulting from potential movements in the fair value of fixed rate assets and liabilities. The fair value of these swaps is disclosed within note 3.1.3.1 to the financial statements. There were no transactions for which fair value hedge accounting had to be discontinued in the period as a result of ineffectiveness.

Cash flow hedges – the Bank hedges a portion of the variability in future cash flows attributable to interest rate risk. The interest risk arises from variable interest rate assets and liabilities which are hedged using interest rate swaps. There were no transactions for which cash flow hedge accounting had to be discontinued in the period as a result of the highly probable cash flows no longer being expected to occur. The fair value of derivatives is disclosed within note 3.1.3.1 to the financial statements.

Monitoring

Parameters and assumptions of models that are used in market risk monitoring are reviewed and updated on at least an annual basis. Material changes require the approval of GALCO. Oversight of market risk is conducted by Risk which is independent of the Treasury function. The Board and Executive Risk Committee, through GALCO's oversight, monitor risk to ensure it remains within approved policy limits and Board requirements.

Value at Risk (VaR)

Duration risk is measured on a statistical basis using a 99% confidence level based on daily rate movements over a ten-year history set with a one-year holding period.

CSRBB is assessed through VaR applied to the Bank's liquid asset buffer portfolio. CSRBB is measured at a 99% confidence level based on daily spread movements over a ten-year history set with a three-month holding period.

	Duration risk		**Credit spread**	
	2026	2025	**2026**	2025
Value at Risk	**£m**	£m	**£m**	£m
As at period end	**6**	14	**45**	69
Average value during the period	**9**	14	**56**	66
Minimum value during the period	**4**	2	**45**	63
Maximum value during the period	**17**	36	**68**	69

Net interest income (audited)

Earnings sensitivity measures calculate the change in net interest income over a 12-month period resulting from an instantaneous and parallel change in interest rates. +/-25 basis point shocks and +/-100 basis point shocks represent the primary net interest income sensitivity assessed internally.

	2026	2025
12 months net interest income sensitivity	**£m**	£m
+25 basis point parallel shift	**15**	15
+100 basis point parallel shift	**62**	59
-25 basis point parallel shift	**(25)**	(20)
-100 basis point parallel shift	**(74)**	(82)

The sensitivities disclosed reflect the expected mechanical response to a movement in rates and represent a prudent outcome. The sensitivities are indicative only and should not be viewed as a forecast.

The key assumptions and limitations are outlined below:

- The sensitivities are calculated based on a static balance sheet, any new business is assumed to be matched, hedged or subject to immediate repricing, and it is assumed there is no change to margins on reinvestment of maturing fixed rate products.
- There are no changes to basis spreads with the rate change passed on in full to all interest rate bases.
- Administered rate products receive a rate pass on in line with internal scenario specific pass on assumptions. Any rate reduction in a rate fall scenario is subject to product floors with the assumption customer rates would not go negative.
- Additional commercial pricing responses and management actions are not included.
- While in practice hedging strategy would be reviewed in light of changing market conditions, the sensitivities assume no changes over the 12-month period.

Market risk linkage to the balance sheet (audited)

The following table shows the Bank's principal market risks, linked to the balance sheet assets and liabilities:

	2026 £m	2025 £m	**Interest rate duration**	**Optionality**	**Basis**	**Credit Spread**	**Foreign Exchange**
Assets							
Financial instruments							
At amortised cost							
Loans and advances to customers	**-**	70,474	●	●	●		●
Fair value adjustment for portfolio hedged risk	**-**	(116)	●				●
Cash and balances with central banks	**1,258**	10,882	●		●		
Due from other banks and similar institutions	**-**	120	●		●		●
At FVOCI	**-**	6,197	●		●	●	●
At FVTPL							
Loans and advances to customers	**-**	47	●	●	●		
Derivatives	**-**	20	●		●		●
Other	**-**	1	●				●
Other assets	**-**	2,076	●				●
Assets of the disposal group held for distribution[1]	**89,762**	-	●	●	●	●	●
Total assets	**91,020**	89,701					
Liabilities							
Financial instruments							
At amortised cost							
Customer deposits	**-**	70,383	●	●	●		●
Debt securities in issue	**-**	4,438	●		●		●
Due to other banks and similar institutions	**-**	934	●		●		●
At FVTPL							
Derivatives	**-**	74	●		●		●
Other liabilities	**1,231**	8,289	●				●
Liabilities of the disposal group held for distribution[1]	**84,207**	-	●	●	●		●
Total liabilities	**85,438**	84,118					

(1) Assets and liabilities of the disposal group held for distribution are shown within note 3.8.

Structural hedge

The Bank operates a structural hedging programme to manage interest rate risk on rate insensitive balances and is based on analysis approved by GALCO and Board. The structural hedge is used to mitigate any volatility in the prevailing rate environment by smoothing net interest income. The investment term for core non-interest-bearing assets and liabilities is modelled on a behavioural basis with a benchmark term agreed by GALCO.

Risk report (continued)
Pension risk

The Bank operates a defined benefit pension scheme, the Yorkshire and Clydesdale Bank Pension Scheme (the Scheme). For the majority of the year, the Bank was the Scheme's sole participating employer. On 27 March 2026, in preparation for the Part VII transfer, Nationwide became the principal employer of the Scheme, with the Bank remaining as a participating employer for all but two of the Scheme's members up until the Part VII transfer on 2 April 2026. From 3 April 2026, responsibility for the Scheme liabilities transferred to Nationwide and the Bank ceased to be a participating employer. These changes have no impact on member benefits.

The Scheme was closed to future accrual on 1 August 2017 for most members. A small number of members remain on a defined benefit accruals basis subject to certain conditions.

Under a defined benefit pension scheme, retirement benefits depend on salary and length of service, not on contributions or asset performance. A defined benefit pension scheme is exposed to market risk drivers such as interest rate risk, inflation risk, equity risk, as well as risks pertaining to the life expectancy of scheme members (longevity risk) and to changes in the legislation and regulatory requirements.

Pension risk arises when the scheme's assets are insufficient to cover its liabilities, affecting the Bank's capital until all liabilities are settled or transferred to a third party, for example an insurer.

The Bank also supports a defined contribution scheme. Defined contribution schemes do not give rise to pension risk, as the employer has no legal or constructive obligation to make further contributions if the defined contribution scheme's assets are insufficient to pay all member benefits. Risks, including market, investment performance and longevity risks, are borne by the employee rather than the Bank.

The Bank's defined benefit pension scheme affects its regulatory capital in two ways:

- CET1 capital – an IAS 19 surplus increases the Bank's balance sheet assets and reserves. However, any such amount is not recognised for the purposes of determining CET1 capital. An IAS 19 deficit on the other hand, which increases balance sheet liabilities and reduces reserves, is recognised for regulatory capital purposes, and so will reduce CET1 capital.
- Pillar 2A capital – the Bank is also required to determine the level of capital required to be held under Pillar 2A for pension obligation risk as part of the annual ICAAP process. This requirement forms part of the Bank's regulatory Total Capital Requirement.

Risk appetite

The Bank's pension risk appetite is a component of the Bank-wide framework for the management of balance sheet risks.

Pension risk may adversely impact the Bank's capital position. The Bank is required to hold capital against it and may be required to make further contributions. Consequently, pension risk is considered in the context of potential capital impacts to the Bank, due to changes in the valuations of the Scheme's liabilities and assets.

Liabilities

The defined benefit obligation is a series of future cash flows, with relatively long duration. It is estimated by independent actuaries using the projected unit credit method. The actual cost of the Scheme can only be known after the Scheme is formally wound up.

On an IAS 19 basis, the defined benefit obligation present value is calculated by discounting the series of future cash flow estimates using a discount rate linked to yields of high-quality corporate bonds, of a duration aligned to that of the Scheme's liabilities. The cash flows and valuation are primarily sensitive to changes in corporate bond credit spreads, long-term inflation rates and the life expectancy of members. There is a risk that the value of the Scheme's liabilities is higher than that of its assets. In particular:

- an increase in the discount rate corresponds to a decrease in liabilities;
- an increase in long-term expected inflation corresponds to an increase in liabilities; and
- an increase in life expectancy corresponds to an increase in liabilities.

The impact of these actuarial assumptions on valuations will also depend on investment and de-risking decisions (including interest rate, inflation rate and longevity hedging) made by the Trustee, as well as by the inflationary caps within the terms of the Scheme. Nevertheless, material changes to the key actuarial assumptions or changes to the methodology by which they are derived may lead to volatility in the Bank's IAS 19 position. In line with pensions legislation, a formal actuarial valuation (Triennial Valuation) of the Scheme's assets and liabilities takes place at least every three years by independent actuaries.

More information on the Scheme's defined benefit obligations is shown within note 3.3 of the financial statements. The present value of the liabilities was £2,162m as at 31 March 2026 (2025: £2,236m).

Assets

The Scheme's assets are held separately from the Bank's assets and are administered by a board of trustees (the Trustee). The Trustee has fiduciary responsibilities to the Scheme's members and governs investments according to a Statement of Investment Principles (SIP). The SIP is reviewed and agreed by the Trustee on a regular basis, with the Bank consulted on any proposed changes. The SIP sets out the Scheme objectives and the path to meet these objectives and is drafted in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it). This results in the Scheme holding an appropriate mix of assets to better match future pension obligations.

There is a risk that the value of the Scheme's assets is lower than the present value of its liabilities. In particular, if total asset returns are lower than the discount rate used in the calculation of the present value of the defined benefit obligations, this may have an adverse impact on the Bank's IAS 19 position.

The split of Scheme assets is shown within note 3.3 of the financial statements. The fair value of the assets was £2,528m as at 31 March 2026 (2025: £2,593m).

Within the Scheme's matching assets there is a Liability Driven Investment (LDI) portfolio, which consists of both physical assets and derivatives. The Scheme uses a bespoke, segregated strategy which reflects, as far as possible, the specifics of the Scheme's liabilities in terms of exposure to movements in interest rates and inflation. As at 31 March 2026, the LDI portfolio was valued at £969m (2025: £936m).

LDI portfolios are commonly used by defined benefit pension schemes to better match their assets to their liabilities, while retaining their allocations to return-seeking assets. For example, falling interest rates or rising inflation would typically increase the value of a scheme's liabilities but the value of the LDI portfolio would also increase commensurably, hence reducing the scheme's funding level volatility. LDI utilises financial instruments, including derivatives, which require the scheme to provide collateral to counterparties. This generates additional liquidity risks and requirements as these collateral demands can change over periods when rates change. The Scheme needs to ensure that it has sufficient liquidity to meet any such obligation.

As at 31 March 2026, the scheme is still estimated to have substantial collateral headroom of more than 7% (2025: 6%) to meet further rises in interest rates.

The uncommitted facility of £75m, granted by the Bank in 2023 to replace the previous contingent security arrangement, remains in place. As at 31 March 2026 the amount drawn under the facility was £Nil (2025: £Nil).

Mitigation

The Trustee and Bank have a common view of the Scheme's long-term strategic aims, encapsulated by an agreed de-risking journey plan. This has included a long-term self-sufficiency funding target (i.e. the point in time when the Scheme would no longer need to call on the Bank for additional funding) with assumptions as to how this target is expected to be managed, monitored and met. Potential actions to address deviations in the actual funding level relative to the journey plan have also been considered.

In addition to the Scheme being closed to new members and closed to future accrual for the majority of members, additional measures have been implemented by the Bank and Trustee with the specific aim of reducing risks. This includes hedging against interest rate and inflation risk. On 6 April 2023, the Scheme executed a longevity swap transaction to manage longevity risk in relation to c. £1,600m of pensioner liabilities. Cost-effective options to further reduce risk within the Scheme will continue to be assessed.

Monitoring

Information on the Scheme's current valuations, asset holdings, and discount and inflation rate assumptions are presented to GALCO quarterly. This also includes monitoring of the performance of the LDI portfolio as well as of the collateral headroom.

Performance of the Scheme's asset portfolio against the various risk metrics is monitored by the Scheme investment adviser and reported to the Investment Sub Committee, which includes Bank representation, and Trustee Board on a quarterly basis.

The Scheme's de-risking plan has delivered resilience to stress testing and continued improvements in Bank and Trustee valuations. The IAS 19 position continues to be assessed in the Bank's ICAAP and regulatory stress testing processes.

The last triennial valuation, which had an effective date of 30 September 2022, showed a funding surplus. Consequently, no further contributions from the Bank were required and there was no capital impact. The next triennial valuation will be completed in the year ending 31 March 2027 based on Scheme data and market conditions as at 30 September 2025.

Directors' report

The Directors submit their report and financial statements for the year ended 31 March 2026.

Statement of corporate governance arrangements

Since 30 September 2025 the Group has operated a mirror board structure whereby the directors of Nationwide, the Bank and Virgin Money UK PLC are the same, covering their responsibilities in one set of meetings. Although the boards are aligned and meet concurrently, each entity retains its own legal and regulatory duties and responsibilities. This mirror board structure makes decision making more efficient and effective as the Board can oversee the work of the Group by receiving updates on Nationwide, the Bank and Virgin Money UK PLC directly at one meeting, rather than through layers of governance.

The Nationwide Board is the Group's ultimate decision-making body. A Group Governance Framework, approved by the Nationwide Board, provides guidance on the Group's governance arrangements to directors, executives and colleagues. It contains details on the Group's legal entity structure and its boards, board committees and executive management forums, and explains how these bodies operate and interact in accordance with the legal and regulatory requirements applicable to them collectively and individually. This approach promotes the success of the Group as a whole and enables Nationwide to direct and drive the overall strategy and direction of the Group.

The Bank voluntarily complies with expectations set for listed companies in accordance with the UK Corporate Governance Code 2024 (the Code), having regard to those provisions the Board considers applicable, with respect to board leadership, responsibilities, composition (including succession and evaluation), audit, risk and internal control, and remuneration, to ensure that the Bank is well governed, with appropriate oversight and control. Certain matters, such as remuneration, values, and external audit, are set at Group level and considered or approved, if appropriate, by the Bank. It is considered more appropriate, for the purposes of group-wide consistency, that principles are set at Group level and then disseminated through the Group, with further approval by subsidiary boards where appropriate.

The Board is supported by four primary committees: Audit Committee; Board Risk Committee; Remuneration Committee; and Nomination and Governance Committee (the Committees). Each of the committees has implemented clear lines of responsibility and policies to support the Board in its effective decision making. The Board and its Committees each have membership with the appropriate balance, skills, background and experience to make a valuable contribution. The principal responsibilities of each committee are as follows:

- The Audit Committee is responsible for the oversight and review of financial and non-financial reporting, internal and external audit, and the adequacy and effectiveness of internal controls and risk management systems;
- The Board Risk Committee is responsible for the oversight and review of principal risks;
- The Remuneration Committee oversees the Group's executive and wider workforce remuneration arrangements; and
- The Nomination and Governance Committee is responsible for the oversight and review of board succession and overall board effectiveness.

The Committee Chairs report to the Board on the Committees' key areas of focus following each meeting. For further information on how the committees operate (including in respect of their compliance with the Code), refer to the Governance section of the Group's Annual Report and Accounts 2026.

The Board is committed to high standards of engagement with employees, suppliers and other stakeholders. A description of how the directors engaged with stakeholders, including as to how such engagement has been considered in the Board's decision making, is set out below.

Stakeholder relationships and engagement and s.172(1) statement

- In accordance with the Companies Act 2006 (the Act) (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the directors provide this statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Bank. This also forms the directors' statement required under section 414CZA of the Act. Stakeholder engagement in respect of matters impacting other entities within the Group is led by the Bank's ultimate parent company, Nationwide. Accordingly, this information has been disclosed in the Group's Annual Report and Accounts.
- Following the acquisition of the Bank by Nationwide on 1 October 2024, the Nationwide and Virgin Money joint Blueprint for a Modern Mutual was launched, to unite colleagues under a joint purpose. Further detail on how Nationwide and the wider group considers its stakeholders is contained in the s.172 section of the Group's Annual Report and Accounts.

Customers

- We remain committed to supporting and ensuring good outcomes for customers by understanding their needs now and in the future. The Bank remains focused on improving customer service and addressing the root causes of customer complaints.
- During the year, a new generative AI tool has been introduced to allow colleagues to find the right information for customers, noticeably improving call times and providing a better experience for customers.
- The Board received regular updates on the Part VII transfer of the majority of the Bank's business to Nationwide and assessed the operational readiness for the integration, including on customer communications. A dedicated Virgin Money website was launched for customers, providing information they need tailored to the products they hold, including a 'frequently asked questions' area and a dedicated helpline for queries.

Stakeholder relationships and engagement and s.172(1) statement (continued)

Customers (continued)

- The Board received Consumer Duty reporting which provided insights to customer outcomes and approved the Annual Report on Customer Outcomes, which evidenced the delivery of good outcomes for retail customers.

Colleagues

- We believe that colleagues who feel engaged, supported and enthusiastic about the work they do are critical to delivering the best experience for our customers.
- The Board received regular updates on the Virgin Money Workforce Engagement Programme, discussing the themes arising from Colleague Connect town hall sessions hosted by Non-Executive Directors.
- Regular colleague surveys and discussion sessions are held on a number of topics to gauge colleague opinion and to discuss the results of the Group as a whole. These sessions were held with executive members of the Board in order to share key highlights and allow colleagues to ask questions and discuss various topics.

Investors

- The Bank is wholly owned within the Nationwide Group. As such, the Board ensures that strategic plans and processes are fully aligned with the Group objectives to ensure that the interests of Nationwide as ultimate shareholder of the Bank are acknowledged.

Society

- The Bank seeks to have a positive impact on our customers, communities and wider society through its ‘Beacon for mutual good’ strategic driver.
- The ‘Blueprint’ continued to be embedded within the Group, with colleague goals aligned to the Group’s customer first behaviours and strategic drivers.
- The Virgin Money Foundation celebrated its 10th birthday. Since its launch, 1,288 grants have been awarded, totalling £17m, funding local charities and 915 organisations and individuals, to create positive change in their local communities. The programmes set up supported digital inclusion, homelessness and housing, children and young people, refugees and those seeking asylum, employment, income, skills and social enterprises. More information on the Bank’s interest in Virgin Money Foundation is set out in note 3.9 of the financial statements.
- In January 2026 ‘Take money worries off your mind’ was launched to offer real support to anyone feeling under financial pressure whether they were a customer or not.
- A new brand campaign was launched across various media to amplify the support available from Mind and SAMH-trained colleagues in branches.

Government and regulators

- Directors and members of the senior management team maintain a regular dialogue with principal regulators including the supervisory teams at the PRA and FCA.
- A key topic for discussion with the regulators was the Part VII transfer for which the Board reviewed the feedback from both the PRA and FCA.

Partners and suppliers

- Our suppliers help us deliver our strategy and provide quality service for our customers. Directors do not interact directly with the Bank’s partners and suppliers; however, management updates are received which allows them to keep up to date on developments by partners which are improving customer service and general oversight of supplier relationships.
- The Board receive reporting on third-party risk management, allowing them to ensure that mitigants are in place, especially in terms of the Part VII transfer and the potential impacts on customers through third-party partners and suppliers.

Directors

The list of current Directors, together with changes to the composition of the Board, can be found on page 2.

Appointment and retirement of Directors

The appointment, retirement and/or replacement of Directors is governed by the Bank’s Articles of Association (Articles), the Code and the Act.

Directors’ insurance

During the year, Nationwide maintained insurance protecting the Directors and Officers of Nationwide, its subsidiaries and controlled entities against personal liabilities which may arise in the course of the performance of their duties.

Directors' report (continued)

Directors' remuneration

With the exception of Chris Rhodes, the current Directors of the Bank are remunerated by Nationwide, and do not receive incremental remuneration in respect of their duties as Directors of the Bank. More information on the remuneration of those Directors can be found in the Group's Annual Report and Accounts 2026.

Further detail on directors' remuneration can be found in note 5.3 of the financial statements.

Employees and equality of employment opportunities

While the Bank no longer has any employees following the completion of the Part VII transfer, it is the policy of the Group to promote equality of employment opportunities by giving full and fair consideration to applications from people with disabilities. If existing colleagues become disabled, every effort is made to retain them within the workforce wherever reasonable and practicable. The Group also endeavours to provide equal opportunities in the training, promotion and general career development of disabled colleagues. Additional information can be found in the Strategic report of the Group's Annual Report and Accounts 2026.

Profits and dividends

The Bank's profit before tax for the 12 months to 31 March 2026 amounted to £191m (18 months to 31 March 2025: £188m). The profit attributable to ordinary shareholders amounted to £73m (18 months to 31 March 2025: £59m). No interim dividends were paid by the Bank in respect of the year ended 31 March 2026 (18 months to 31 March 2025: £151m paid). The directors do not propose a final dividend in respect of the year to 31 March 2026 (18 months to 31 March 2025: £Nil).

Share capital, control and Directors' powers

Information about share capital is shown in note 4.1 of the financial statements. There are no restrictions on voting rights of securities in Clydesdale Bank PLC. No Director had any interest in the shares of the Bank at any time during the reporting period.

Subject to the Articles and provisions of relevant statutes, the Board may exercise all powers of the Bank. The Bank can only amend the Articles if its shareholders pass a special resolution to this effect.

Substantial shareholdings

The Bank's ultimate parent company is Nationwide Building Society. The Directors ensure that the strategy, priorities, processes and practices of the Bank are fully aligned where required to those of Nationwide, ensuring that the interests of Nationwide are duly acknowledged. Further information in respect of the relationship of Nationwide with its members is included within the Strategic report within the Group's Annual Report and Accounts 2026, available on the Nationwide website (www.nationwide.co.uk).

Political donations

No political donations were made during the year (18 months to 31 March 2025: £Nil).

Risk management objectives and policies

Risk and capital related disclosures are included within the Strategic report and Risk report. The information contained within these disclosures has not been audited by the Bank's external auditor, except where labelled accordingly.

Events after the balance sheet date

Note 5.5 to the financial statements contains details of events after the balance sheet date.

Going concern

The Directors have made an assessment of the Bank's ability and intent to continue as a going concern and are satisfied that the Bank has the resources to continue in business for at least 12 months from the approval of the financial statements.

The Bank's use of the going concern basis for preparation of the accounts is discussed in note 1.3 of the financial statements.

Research and development activities

The Bank does not undertake formal research and development activities although, up until completion of the Part VII transfer, it did invest in the development of its products and services. This included investment in internally generated intangible assets, including software and computer systems, in each of its business lines in the ordinary course of business. Further details can be found in note 3.2 of the financial statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law, the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK GAAP), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

In addition, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for the period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies, in accordance with International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in applicable UK GAAP Standards, including FRS 101, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance;
- state whether applicable UK GAAP Standards, including FRS 101, have been followed subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable; and
- make an assessment of the Bank's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Act. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm, to the best of their knowledge:

- that the financial statements, prepared in accordance with applicable law and UK GAAP, including FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the Bank; and
- that the Annual Report and Accounts, including the Strategic report, includes a fair review of the development and performance of the business and the position of the Bank, together with a description of the principal risks and uncertainties that they face.

Auditor

The auditor, Ernst & Young LLP, has expressed its willingness to continue in office.

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 2. Having made enquiries of fellow Directors and of the Bank's auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Bank's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Bank's auditor is aware of that information.

The Directors' report was approved by the Board of Directors on 20 May 2026 and was signed on its behalf by:

Jason Wright
Group Company Secretary
20 May 2026
Clydesdale Bank PLC. Registered No. SC001111

Independent auditor's report to the members of Clydesdale Bank PLC

Opinion

We have audited the parent company financial statements of Clydesdale Bank PLC (the Company) for the year ended 31 March 2026 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and the related notes 1 to 5, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 Reduced Disclosure Framework (collectively, UK GAAP).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2026 and of its profit for the year then ended;
- have been properly prepared in accordance with UK GAAP; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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 Company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We obtained management's going concern assessment for the Company and assessed the reasonableness of the Company's forecasts, including management's stress testing, for the going concern period covering at least twelve months from the date the financial statements are authorised for issue.
- We evaluated the impact of the transfer of substantially all of the business of the Company to Nationwide Building Society under Part VII of the Financial Services and Markets Act 2000 (FSMA) (Part VII). We considered how this might impact on the Company's ability to continue as a going concern, with consideration of management's forecasts prepared on the basis of the continuing bank note issuance business. We obtained and evaluated representations from management that there is no intention to terminate the business of the Company in the going concern period.
- We reviewed regulatory correspondence and board meeting minutes to identify events or conditions that may impact the Company's ability to continue as a going concern.
- We read and evaluated the adequacy of the disclosures in the Annual Report and Accounts in relation to going concern and considered whether there were other events subsequent to the balance sheet date which could have a bearing on the going concern conclusion.

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 Company's ability to continue as a going concern for a period of twelve months from the date 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Determination of expected credit losses • Revenue recognition – effective interest rate method of accounting • Valuation of net defined benefit pension assets • Accounting and disclosure considerations relating to the Part VII transfer • IT access management
Materiality	• Overall materiality of £15.2m which represents 5% of the profit before tax adjusted for non-recurring items.

Independent auditor’s report to the members of Clydesdale Bank PLC (continued)

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Changes from the prior period

In the current year, the Company is only required to prepare standalone parent company financial statements, rather than consolidated group financial statements as prepared in the prior period. In addition, the applicable financial reporting framework has changed from UK-adopted International Accounting Standards in the prior period to UK GAAP in the current year. The financial statements have been prepared on a 12-month basis (2025: 18-months).

Climate change

Stakeholders are interested in how climate change will impact the Company. The Company has determined that the most significant future impacts from climate change on its operations will be from physical and transition risks. The Company identifies credit risk as the most material climate-related risk due to its residential mortgages and business lending portfolios. These are explained on pages 5 to 6 of the Annual Report and Accounts, which forms part of Other information, rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on Other information.

In planning and performing our audit we assessed the potential impacts of climate change on the Company’s business and any consequential material impact on its financial statements.

The Company has explained, in note 1.4 to the Annual Report and Accounts, that it has made an assessment of the observable effect of the identified climate risk, physical and transition, on the Company’s lending portfolio. The Company considers the effects of climate change to represent a source of inherent uncertainty, with the effects on estimates and judgements related to financial reporting arising in the medium and longer term. Overall, the Company does not consider there to be a material impact on its estimates and judgements from physical and transition risks of climate change in these financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management’s assessment of the impact of climate risk, physical and transition, and assessing whether the effects of the climate risks disclosed on note 1.4 have been appropriately reflected in the financial statements. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact on the key audit matter relating to Determination of expected credit losses (ECL).

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 our opinion thereon, and we do not provide a separate opinion on these matters.

In the prior period, *Transaction-related matters* was reported as a key audit matter following the acquisition of the group of which the Company is a member, by Nationwide Building Society. This is not applicable for the year ended 31 March 2026.

Accounting and disclosure considerations relating to the Part VII transfer has been identified as a new key audit matter, reflecting the significance of the corresponding accounting and disclosure considerations.

Independent auditor's report to the members of Clydesdale Bank PLC (continued)

Risk	Our response to the risk
Determination of expected credit losses (ECL): **Balance sheet provision for impairment of loans - £679m (2025: £737m)** The degree of subjectivity in the judgements and estimates used by management to measure ECL accounted for under IFRS 9 is high, due to significant uncertainty associated with the assumptions used. The risk of material misstatement within the measurement and timing of IFRS 9 ECL manifests itself across the following five areas: *Multiple Economic Scenarios (MES):* ECL may be inaccurate because the range of scenarios considered and the probability weightings applied to them are not sufficient or appropriate to capture all relevant factors required. This includes consideration of heightened uncertainty in the geopolitical and economic outlook resulting from the conflict in the Middle East. Additionally, the MES may not be incorporated appropriately into the estimation of Probability of Default (PD) and Loss Given Default (LGD). *Modelling:* Models that calculate the ECL, including PD, LGD, and exposure at default (EAD) models, may not appropriately apply accounting interpretations, modelling assumptions, or data, or may not be appropriately implemented. *Management Adjustments (MAs):* MAs could be inaccurate, incomplete, or in the case of in-model adjustments, incorrectly incorporated into the PD, LGD, and EAD models, with consideration to the risk of management override. These adjustments are inherently uncertain and subjective. Significant management judgement is involved in identifying and estimating certain adjustments, including the appropriate criteria for release. *Individually impaired assets:* There is a risk that individual impairments within the business lending portfolios are not identified on a timely basis, or that provisions are incorrectly measured. This risk is heightened by current economic conditions, including geopolitical tensions, which may impact exit strategies, collateral valuations and expected time to collection, together with the risk of management override. *Staging:* There is a risk that the qualitative and quantitative criteria applied by management do not fully or accurately identify a significant increase in credit risk or credit impairment on a timely basis. The level of risk remains consistent with the prior period.	We evaluated the design effectiveness of controls, including the controls relating to the approval of key judgements and development of the estimate. We took a predominantly substantive approach to our audit work. *MES:* With the support of our EY economic specialists, we considered both the appropriateness of the scenario weightings and the related macroeconomic variables. We specifically focused on the heightened uncertainty in geopolitical and economic outlook resulting from the conflict in the Middle East. In addition, we evaluated management's approach in using statistical models to inform their judgement in determining the scenarios and their probability weightings. We carried out comparisons to consensus forecasts and other independently derived assumptions. We engaged EY economic and modelling specialists to assess the reasonableness of the non-linearity in the scenarios and perform sensitivities on the weightings and macroeconomic variables. We also tested the appropriate application of the MES data within the models. *Modelling:* We involved EY modelling specialists to assist in the qualitative and quantitative risk assessment of the models, and to perform a combination of model methodology reviews, model implementation testing, model reperformance testing, model assumptions testing and model sensitivity analysis, based on our risk assessment of each model. We substantively tested the completeness and accuracy of data underpinning the ECL provisions by testing lineage between the ECL models and source systems for each critical data item. *Management Adjustments:* We involved EY modelling specialists to test the appropriateness, adequacy and completeness of the MAs held at year end in response to model and data limitations. This included evaluation of adjustments made to retail and business lending portfolios, to test that these appropriately capture the impact of current macro-economic and geopolitical conditions, as well as domestic policy changes. We assessed the continued recognition of MAs from previous years and challenged the risk of double counting of identified risks. We also evaluated the application of, and independently recalculated, all material adjustments, the outputs of which we reconciled to the reported balances. *Individually impaired assets:* On a sample basis, we assessed the completeness and reasonableness of impairment provisions recorded for individually assessed loans. As part of this recalculation, we independently estimated the impact on ECL of applying multiple scenarios that impact collateral values estimated by management, involving EY valuation specialists where appropriate. We considered the impact that the current geopolitical and economic outlook had on collateral valuations, and time to collect, as well as whether planned exit strategies remained viable.

Risk	Our response to the risk
Determination of expected credit losses (ECL): (continued)	*Staging:* We reviewed the Company's accounting policies and tested how they were applied in allocating a financial asset to the reported stages, to assess whether they remained compliant with the requirements of IFRS 9. This included peer benchmarking to consider staging triggers and staging levels. We assessed the appropriateness of staging criteria and their accurate application through the modelled environment, and then independently recalculated staging results for all portfolios by replicating the staging model code and recreating the results in our own environment. *Overall stand-back assessment:* We performed a stand back assessment of the ECL provisions and coverage, both in aggregate and by stage, to assess whether movements were reasonable and internally consistent. This assessment considered the overall credit quality and risk profile of the Company's portfolios, together with the impact of the current uncertain geopolitical and economic environment and climate related risks. Where available, we also performed peer benchmarking to assess overall staging and provision coverage levels.

Key observations communicated to the Audit Committee

We communicated that the ECL provisions were reasonably estimated and materially in compliance with IFRS 9.

We highlighted the following matters to the Audit Committee that contributed to our overall conclusion:

- Our evaluation of the appropriateness of the significant increase in credit risk triggers, and the results of our staging reperformance.
- Our assessment of the appropriateness of the Company's models to generate the ECL including the appropriateness and validity of the data used in the models.
- Our evaluation of the completeness and appropriateness of economic variables, the choice of discrete scenarios and the weightings applied to these scenarios.
- Our assessment of the appropriateness of management adjustments.
- For individually assessed ECL allowances, the overall reasonableness of the provisions, including assumptions applied, and collateral valuations.

We continued to highlight to the Committee that there remains increased uncertainty and volatility in determining expected credit losses due to the elevated risks in the macroeconomic and geopolitical landscape.

<table>
<tr><th>Risk</th><th>Our response to the risk</th></tr>
<tr><td>Revenue recognition – effective interest rate method of accounting

Total interest income – 12-month period ended 31 March 2026 £4,305m (18-month period ended 31 March 2026: £7,011)

Refer to note 2.1 Net Interest Income for the Company’s disclosures in relation to EIR.

The Company records income on financial instruments under the effective interest rate (EIR) method.

The most material adjustments to interest income under EIR accounting are made in respect of the Company’s mortgage portfolios.

Mortgage EIR adjustments are sensitive to the following assumptions:

• The period over which to defer eligible fees and costs, which is determined by reference to analysis of historical customer behaviours; and

• The extent to which early redemption charges (ERCs) and variable interest expected to be collected in the future, should be recognised as an EIR asset.

The complexity of calculations, the degree of management judgement in respect of forecast future cashflows, and the sensitivity of the amounts recognised in the financial statements to the assumptions, increases the risk of material misstatement, including with consideration to the risk of management override of controls.

The level of risk remains consistent with the prior period.</td><td>We assessed the Company’s policies in relation to the application of EIR adjustments for compliance with the requirements of IFRS 9. We understood the design effectiveness of the Company’s controls over the calculation and recognition of the EIR adjustments. We took a substantive approach to testing the EIR balances.

We tested the data consumed within the EIR models, including historical data used to analyse customer behaviours. We involved EY model risk specialists in assessing the code used to extract historical data from the mortgage systems to support us in verifying that the data used in the EIR models was complete and accurate. EY model risk specialists also assisted us in evaluating the functionality of the models, testing consistency of the calculations with the Company’s accounting policy.

We benchmarked the inclusion of lending fees and costs in the EIR calculations, as well as the upfront recognition of ERCs and expected future variable interest income, to judgements made by peer institutions.

We assessed the Company’s assumption regarding the behavioural life over which the eligible fees are deferred, by comparing it to the Company’s historic customer data. We extended our analysis to understand any potential correlation in customer behaviour with Bank of England base rate movements. We also performed sensitivity analysis over key assumptions and judgements.</td></tr>
<tr><td colspan="2">Key observations communicated to the Audit Committee

The Company’s accounting policy and methodology for the determination of the EIR asset on mortgage lending is appropriate and in compliance with the requirements of IFRS 9.

We concluded that the EIR adjustments are materially correct.</td></tr>
</table>

Independent auditor’s report to the members of Clydesdale Bank PLC (continued)

<table>
<tr><th>Risk</th><th>Our response to the risk</th></tr>
<tr><td>

Valuation of the net defined benefit pension assets

Net defined benefit pension assets: £366m (2025: £357m)

Refer to note 3.3 of the financial statements.

The Company has a net defined benefit pension asset which represents the fair value of pension plan assets less the present value of defined benefit obligations.

The determination of the net retirement benefit asset value is subject to judgements and estimates which include:

- *Asset valuation:* Pricing inputs and techniques used to value certain illiquid investments held by the pension scheme;
- *Actuarial assumptions:* Judgements and assumptions including discount rate, inflation and longevity used to determine the valuation of the defined benefit obligation; and
- *IFRIC 14 assessment:* Judgements in assessing the extent to which the net retirement benefit asset is recoverable by the Company, including the application of the asset ceiling test as required by IFRIC 14.

The level of risk remains consistent with the prior period.

</td><td>

We assessed the design of controls in place over the valuation of the plan assets and the process of setting significant assumptions which are used in the calculation of the defined benefit obligation. We adopted a fully substantive audit approach.

Assets Valuation:

We tested the reasonableness of the fair value of plan assets by independently repricing the bonds and derivative financial instruments.

For illiquid investments, we engaged EY valuation specialists to support us in assessing the appropriateness of the valuation methodology including the judgements made in determining significant input assumptions. We determined independent valuation ranges to assess management’s conclusions.

Actuarial Assumptions:

We involved EY actuarial specialists to evaluate the actuarial assumptions used to calculate the defined benefit obligation, by comparing the assumptions to ranges we independently developed based on market observable indices and the knowledge of EY specialists.

We assessed the impact on the defined benefit obligation of changes in financial, demographic and longevity assumptions over the year, considering the economic outlook and current market volatility.

IFRIC 14 assessment:

We considered the appropriateness of the Company’s recognition of the net retirement benefit asset in accordance with IFRIC 14. Specifically, we assessed whether the Company was entitled to an unconditional right of refund by reference to the terms of the pension agreements.

</td></tr>
<tr><td colspan="2">

Key observations communicated to the Audit Committee

The Company’s accounting policy for the net defined benefit asset is appropriate and in compliance with IAS 19.

We concluded that the valuation of the net pension asset reported on the balance sheet is materially correct.

</td></tr>
</table>

Independent auditor’s report to the members of Clydesdale Bank PLC (continued)

Risk	Our response to the risk
Accounting and disclosure considerations relating to the Part VII transfer **Impairment adjustment on the disposal group: £208m (2025: Nil)** **Refer to note 3.8 of the financial statements.** On 2 April 2026, a transfer of the majority of the Company’s business to Nationwide Building Society was completed under Part VII of the Financial Services and Markets Act 2000. Whilst the transfer took place after the 31 March 2026, we considered where the transaction may impact certain line items, including presentation and disclosure, within the current year financial statements. The key audit matters we considered were: • Assessment of the presentation and disclosure requirements of IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’. • IFRS 5 requires measurement of the disposal group classified as held for distribution at the lower of the carrying amount and fair value less costs to sell. The fair value of the disposal group involves the use of management judgement in the selection of valuation techniques and underlying assumptions, consequently there is a risk that if the judgements and assumptions are inappropriate, the fair value of the disposal group may be misstated. • Assessment of the sufficiency of post balance sheet event disclosures related to the Part VII transfer in accordance with IAS 10 ‘Events after the Reporting Period’. This is a new Key Audit Matter in the current year.	We gained an understanding of the Company’s process to identify the impact of the Part VII transfer on the financial statements. We took a substantive audit approach. We have assessed the presentation and disclosure of the financial statements in accordance with IFRS 5. Management recognised an impairment adjustment of £208m in respect of the disposal group. The impairment loss is allocated to non-current assets to which the measurement requirements of IFRS 5 are applicable. We evaluated the appropriateness of the fair value methodology applied by management in performing the impairment assessment. We engaged our valuation specialists to support the audit team by developing an independent range for the fair value of the disposal group. We have assessed the sufficiency of the post balance sheet events disclosure in accordance with IAS 10.
Key observations communicated to the Audit Committee Based on the procedures performed, we have concluded that the presentation and disclosure of the Part VII transfer, including subsequent events disclosure, are complete and prepared in accordance with accounting standards. We concluded that the impairment adjustment recognised by management in respect of the disposal group was appropriate.	

Independent auditor's report to the members of Clydesdale Bank PLC (continued)

<table>
<tr><th>Risk</th><th>Our response to the risk</th></tr>
<tr><td>IT access management

The Company is highly dependent on technology due to the significant number of transactions that are processed daily.

IT access management controls ensure that only authorised users have access to data. Such controls contribute to mitigating the risk of potential fraud or errors as a result of unauthorised access to applications and data.

The Company has implemented user access management controls across IT applications, databases and operating systems. Access management is operated by business and IT teams, as well as third parties who work in conjunction to manage associated IT access management controls.

The nature of the access management processes across the Company and the associated audit procedures mean that access management forms a significant part of our IT audit work.

The level of risk remains consistent with the prior period.</td><td>We evaluated the design and operating effectiveness of the IT access management controls over the applications, operating systems and databases that we identified as being in-scope for our audit.

We tested user access by assessing the controls in place for in-scope applications, in particular testing the user access provisioning, access removal, privileged access and periodic recertification of users' access.

Where systems are managed by third-party service providers, we evaluated service organisation control (SOC) reports including considering the timing of the SOC reports, tested management's complementary end user controls, where applicable, and performed direct testing with the service provider, where required. In areas where we identified control deficiencies we undertook substantive procedures, such as validation of user accounts, inspection of system logs and review of how accounts had been used, combined with the testing of complementary controls, where required.</td></tr>
<tr><td colspan="2">Key observations communicated to the Audit Committee

Our testing identified that audit relevant IT access management controls were generally operating effectively. Where control deficiencies were identified, we performed additional audit procedures to address identified risks relating to access management. The combination of controls testing and substantive procedures enabled us to address the risk relating to user access management for the purpose of our audit.</td></tr>
</table>

Our application of materiality

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

Materiality

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

We have determined materiality for the Company to be £15.2m (18-months period ended 31 March 2025: £32m), which is 5% of adjusted profit before tax of the Company of £303m for the year ended 31 March 2026 (prior period: 0.6% of equity of the Parent Company). We believe that adjusted profit before tax provides us with the most appropriate and relevant measure for the users of the financial statements, given the Company is profit-making, it is consistent with the wider industry, and it is the standard for regulated, trading entities.

Starting basis	• Reported profit before tax - £191m
Adjustments	• Non-recurring items - £112m
Materiality	• Adjusted profit before tax - £303m
	• Materiality of £15.2m (5% of adjusted profit before tax)

During the course of our audit, we reassessed initial materiality and determined that an earnings-based measure remains appropriate for the Company. We also considered the changes in the scope of the financial statements, as set out in 'Changes from the prior period' above.

Independent auditor’s report to the members of Clydesdale Bank PLC (continued)

Performance materiality

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

On the basis of our overall audit risk assessment, our judgement was that performance materiality was 50% (prior period: 75%) of our planning materiality, namely £7.6m (18-month period 1 October 2023 to 31 March 2025: £24m). In reaching this judgement, we considered several factors, including the level of corrected and uncorrected audit differences identified during prior periods by both management and the audit team.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.7m (prior period: £1.6m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the Annual Report and Accounts.

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors’ report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors’ report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Statement of Directors’ responsibilities set out on page 45, 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 Company’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 Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Clydesdale Bank PLC (continued)

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.

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (United Kingdom Accounting Standards including FRS 101 Reduced Disclosure Framework and the Companies Act 2006); regulations, licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA), Financial Reporting Council (FRC) and the Financial Conduct Authority (FCA); and relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to regulatory capital and liquidity, conduct, financial crime including anti-money laundering, sanctions and market abuse, recognising the financial and regulated nature of the Company's activities.
- We understood how the Company is complying with those frameworks by performing a combination of inquiries of senior management and those charged with governance as required by auditing standards, review of board and certain committee meeting minutes, gaining an understanding of the Company's approach to governance, inspection of regulatory correspondence in the year, and engaging with internal and external legal counsel. We also engaged EY financial crime and forensics specialists to perform procedures on areas relating to anti-money laundering, whistleblowing, and conduct compliance. Through these procedures, we became aware of actual or suspected non-compliance. The identified actual or suspected non-compliance was not sufficiently significant to our audit that would have resulted in it being identified as a key audit matter.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Our procedures to address the risks identified also included incorporation of unpredictability into the nature, timing and/or extent of our testing, challenging assumptions and judgements made by management in their significant accounting estimates, and journal entry testing.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of the Company`s internal and external legal counsel, compliance officer, internal audit, certain senior management executives, and focused testing on a sample basis, including journal entry testing. We also performed inspection of key correspondence from the relevant regulatory authorities as well as review of board and certain committee meeting minutes.
- For instances of actual or suspected non-compliance with laws and regulations, which have a material impact on the financial statements, these were communicated by management to the audit engagement team which performed audit procedures including inquiries with management, sending confirmations to external legal counsel, substantive testing and meeting with regulators.
- The Company is authorised to provide banking, insurance, mortgages and home finance, consumer credit, pensions, investments and other activities. The Company operates in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Independent auditor's report to the members of Clydesdale Bank PLC (continued)

Other matters we are required to address

- Following the recommendation from the National Australia Bank (NAB) Group Audit Committee, we were appointed by the Company on 31 January 2005 to audit the financial statements for the year ended 30 September 2005 of the National Australia Bank Group of companies, which at the time included Clydesdale Bank PLC. The period of total uninterrupted consecutive appointments as auditors of Clydesdale Bank PLC is 19 years, covering the years ended 30 September 2005 to 30 September 2023. We resigned as auditors on 23 February 2024 and were reappointed on 24 April 2024. The second period of uninterrupted engagement as auditors of Clydesdale Bank PLC is for the 18-month period ended 31 March 2025 and the year ended 31 March 2026. Our total tenure is therefore 21.5 years.
- In November 2024, the FRC approved an extension for EY to be retained as the auditors for the Company for the years ending 31 March 2026 and 31 March 2027.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP.

Gary Adams (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 May 2026

Financial statements
Statement of comprehensive income

For the periods ended		12 months to 31 Mar 2026			18 months to 31 Mar 2025		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Note	£m	£m	£m	£m	£m	£m
Interest income		22	4,283	4,305	49	6,962	7,011
Interest expense and similar charges		-	(2,594)	(2,594)	-	(4,516)	(4,516)
Net interest income	2.1	22	1,689	1,711	49	2,446	2,495
Fee and commission income		-	195	195	-	255	255
Fee and commission expense		-	(92)	(92)	-	(113)	(113)
Other operating income		-	14	14	-	106	106
Gains/(losses) from derivatives and hedge accounting		-	5	5	-	(4)	(4)
Total income		22	1,811	1,833	49	2,690	2,739
Operating and administrative expenses	2.2	(6)	(1,456)	(1,462)	(10)	(2,112)	(2,122)
Operating profit before impairment losses		16	355	371	39	578	617
Impairment losses on credit exposures		-	(180)	(180)	-	(429)	(429)
Profit on ordinary activities before tax		16	175	191	39	149	188
Tax expense	2.3	(4)	(37)	(41)	(9)	(20)	(29)
Profit for the period		12	138	150	30	129	159
Attributable to:							
Ordinary shareholders		12	61	73	30	29	59
Other equity holders		-	77	77	-	100	100
Profit for the period		12	138	150	30	129	159
Other comprehensive losses, net of tax	3.8	-	(113)	(113)	-	(490)	(490)
Total comprehensive income/(losses) for the period, net of tax		12	25	37	30	(361)	(331)
Attributable to:							
Ordinary shareholders		12	(52)	(40)	30	(461)	(431)
Other equity holders		-	77	77	-	100	100
Comprehensive income/(loss) for the period		12	25	37	30	(361)	(331)

The notes on pages 60 to 102 form an integral part of these financial statements.

Financial statements
Balance sheet

As at	Note	**31 Mar 2026 £m**	31 Mar 2025 £m
Assets			
Financial instruments	3.1		
At amortised cost	3.1.1		
Loans and advances to customers	3.1.1.1	**69,060**	70,474
Fair value adjustment for portfolio hedged risk		**(185)**	(116)
Cash and balances with central banks	3.1.1.2	**16,158**	10,882
Due from other banks and similar institutions		**528**	120
At FVOCI	3.1.2	**3,835**	6,197
At FVTPL	3.1.3		
Loans and advances to customers		**37**	47
Derivatives	3.1.3.1	**13**	20
Other		**2**	1
Due from related entities	5.3	**614**	667
Intangible assets and goodwill	3.2	**-**	103
Property, plant and equipment		**32**	181
Accrued income and prepaid expenses		**83**	99
Deferred tax	2.3	**406**	398
Current tax assets		**21**	134
Defined benefit pension assets	3.3	**366**	357
Other assets	3.4	**50**	137
Total assets		**91,020**	89,701
Liabilities			
Financial instruments	3.1		
At amortised cost	3.1.1		
Customer deposits	3.1.1.3	**72,711**	70,383
Debt securities in issue	3.1.1.4	**3,749**	4,438
Due to other banks and similar institutions	3.1.1.5	**975**	934
At FVTPL	3.1.3		
Derivatives	3.1.3.1	**33**	74
Due to related entities	5.3	**6,224**	6,342
Deferred tax	2.3	**91**	89
Provisions for liabilities and charges	3.7	**44**	38
Accruals and deferred income		**165**	157
Other liabilities	3.5	**1,446**	1,663
Total liabilities		**85,438**	84,118
Equity			
Share capital and share premium	4.1.1	**2,328**	2,043
Other equity instruments	4.1.2	**698**	693
Other reserves	4.1.3	**44**	147
Retained earnings		**2,512**	2,700
Total equity		**5,582**	5,583
Total liabilities and equity		**91,020**	89,701

As a consequence of the Part VII transfer, all of the Company's assets and liabilities are classed as held for distribution at 31 March 2026, with the exception of (i) £1,258m of cash and balances with central banks (note 3.1.1.2); and (ii) £1,231m of other liabilities (note 3.5). Further details on the assets and liabilities held for distribution can be found in note 3.8.

The notes on pages 60 to 102 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 20 May 2026 and were signed on its behalf by:

Debbie Crosbie
Director

Muir Mathieson
Chief Financial Officer

Company name: Clydesdale Bank PLC, Company number: SC001111

Financial statements
Statement of changes in equity

	Share capital and share premium	Other equity instruments	Other reserves: FVOCI reserve	Other reserves: Other hedging reserve	Other reserves: Cash flow hedge reserve	Retained earnings	Total equity
Note	4.1.1	4.1.2	4.1.3	4.1.3	4.1.3		
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
As at 1 October 2023	2,792	594	7	-	497	1,405	5,295
Profit for the period	-	-	-	-	-	159	159
Other comprehensive losses, net of tax	-	-	(29)	(1)	(327)	(133)	(490)
Total comprehensive (losses)/income for the period	-	-	(29)	(1)	(327)	26	(331)
AT1 distributions paid	-	-	-	-	-	(100)	(100)
Dividends paid to ordinary shareholders	-	-	-	-	-	(177)	(177)
Ordinary shares issued	800	-	-	-	-	-	800
Release of share premium to retained earnings	(1,549)	-	-	-	-	1,549	-
AT1 issuance	-	346	-	-	-	-	346
AT1 redemption	-	(247)	-	-	-	(3)	(250)
As at 31 March 2025	2,043	693	(22)	(1)	170	2,700	5,583
Profit for the year	**-**	**-**	**-**	**-**	**-**	**150**	**150**
Other comprehensive income/(losses), net of tax	**-**	**-**	**5**	**1**	**(109)**	**(10)**	**(113)**
Total comprehensive income/(losses) for the period	**-**	**-**	**5**	**1**	**(109)**	**140**	**37**
AT1 distributions paid	**-**	**-**	**-**	**-**	**-**	**(77)**	**(77)**
Ordinary shares issued	**285**	**-**	**-**	**-**	**-**	**-**	**285**
AT1 issuance	**-**	**520**	**-**	**-**	**-**	**-**	**520**
AT1 redemption	**-**	**(515)**	**-**	**-**	**-**	**(43)**	**(558)**
Impairment of disposal group assets	**-**	**-**	**-**	**-**	**-**	**(208)**	**(208)**
As at 31 March 2026	**2,328**	**698**	**(17)**	**-**	**61**	**2,512**	**5,582**

The notes on pages 60 to 102 form an integral part of these financial statements.

Notes to the financial statements
Section 1: Basis of preparation

Overview

This section sets out the Bank's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note to the financial statements, the policy is described in the relevant note. This section also highlights newly adopted accounting standards, amendments and interpretations which are relevant to the Bank. Where relevant, we explain how these changes are expected to impact the financial position and performance of the Bank.

1.1 General information

The Bank is incorporated in the United Kingdom under the Companies Act and registered in Scotland.

The Bank's immediate parent is Virgin Money UK PLC, a company registered in England and Wales. The financial statements of Virgin Money UK PLC may be obtained from Virgin Money UK PLC's registered office at Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL. Nationwide Building Society (Nationwide) is the Bank's ultimate parent and controlling party and is a building society incorporated and registered in England and Wales. The results of the Bank are included in the consolidated financial statements of Nationwide, which is the parent undertaking of the smallest and largest group to consolidate these results.

Nationwide is registered at Nationwide House, Pipers Way, Swindon, SN38 1NW. Nationwide's consolidated Annual Report and Accounts can be obtained from this address or at nationwide.co.uk.

Following the acquisition of Virgin Money UK PLC by Nationwide on 1 October 2024, the Bank's accounting reference date was changed from 30 September to 31 March to align to that of Nationwide. Accordingly, the comparative period financial statements are prepared for the 18-month period ended 31 March 2025 and are therefore not entirely comparable to the current 12-month period.

As permitted by Section 400 of the Act, and the exemption available under IFRS 10.4, the Bank has not prepared consolidated financial statements.

1.2 Basis of accounting

The Bank has adopted a new financial reporting framework in the period. The financial statements, which should be read in conjunction with the Strategic report and the Directors' report, have been prepared in accordance with applicable law and United Kingdom Accounting Standards (UK GAAP), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). This is a change from previous financial statements, which were prepared under UK adopted International Accounting Standards (IAS). The application of FRS 101, instead of IAS, does not result in any material differences in accounting policies or in the figures presented in the financial statements.

The Bank has taken advantage of the following disclosure exemptions under FRS 101 and removed the requirements of:

- paragraphs 45(b) and 46 - 52 of IFRS 2 *'Share-Based Payments'*;
- paragraph 33(c) of IFRS 5 *'Non-Current Assets Held for Sale and Discontinued Operations';*
- the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *'Revenue from Contracts with Customers'*;
- paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 *'Leases'*;
- paragraph 38 of IAS 1 *'Presentation of Financial Statements'* to present comparative information in respect of (i) paragraph 79(a)(iv) of IAS 1; and (ii) paragraph 118(e) of IAS 38 *'Intangible Assets'*;
- paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 of IAS 1;
- IAS 7 *'Statement of Cash Flows'*;
- paragraphs 30 and 31 of IAS 8 *'Accounting Policies, Changes in Accounting Estimates and Errors'*;
- IAS 24 *'Related Party Disclosures'* to disclose related party transactions between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- paragraphs 17 and 18A of IAS 24.

The financial information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value through profit or loss and other comprehensive income. Fair value is defined in note 3.1.4.

On 14 November 2025, the Bank publicly announced the decision of its Directors to move substantially all of the business of the Bank to Nationwide by way of a banking business transfer under Part VII. On 23 February 2026, the High Court approved the transfer and, on 2 April 2026, the majority of the assets and liabilities of the Bank were transferred to Nationwide. At 31 March 2026, assets and liabilities that form part of the transferred business were classified as a disposal group held for distribution to its owner and the financial performance presented as a discontinued operation in the Bank's financial statements. Consequently, the financial statements for the year ended 31 March 2026 have been prepared in accordance with the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', amended to reflect UK Company law. Further detail on the impact of this, including the accounting policy applied, can be found in note 3.8 with note 5.5 providing additional post balance sheet event information.

The accounting policies presented in 'Section 2: Results for the period' apply to both the continued and discontinued operations; continued operations are tabled in Section 2 and discontinued operations can be found in note 3.8.

Notes to the financial statements
Section 1: Basis of preparation (continued)

1.3 Going concern

The Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for at least the next 12 months from the date the Annual Report and Accounts are authorised for issue, and that the Bank is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2026. In reaching this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources. These considerations include potential impacts from principal and emerging risks, stress scenarios, and the related impact on profitability, capital and liquidity, also taking into account post balance sheet events. The Bank's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report on page 3. In addition, the Risk report includes the Bank's risk and capital management policies and objectives.

As disclosed in note 1.2, on 23 February 2026 the High Court approved the transfer of substantially all of the business of the Bank to Nationwide by way of a banking business transfer under Part VII and on 2 April 2026 this transfer was completed. The financial impact of this transfer is discussed in note 3.8, with note 5.5 providing additional post balance sheet event information. Following the transfer, the Bank continues to operate the Scottish banknote issuance activity for the Group. The Bank’s balance sheet is significantly simplified, and the principal risks and uncertainties it is exposed to are substantially more limited. The resulting changes to the Bank’s capital and funding sources are being managed in a controlled manner which ensures the Bank continues to meet all regulatory capital and funding requirements and has both the ability and intent to continue to operate as a going concern for at least the next 12 months from the date the Annual Report and Accounts are authorised for issue.

1.4 Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Actual results may differ from those on which management’s estimates are based. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The Bank considers the most significant use of accounting estimates and judgements relate to the following areas, all of which relate to the Bank’s discontinued operations:

Area	Estimates	Judgements	Further detail
Impairment provisions on credit exposures	Asset lifetimes Economic scenarios	SICR Definition of default Management adjustments	Credit risk section of Risk report and note 3.1.1.1
Deferred tax		Period for the recoverability of deferred tax assets	Note 2.3
Retirement benefit obligations	Discount rate Inflation assumptions Mortality assumptions		Note 3.3
Assets and liabilities of the disposal group held for distribution		Measurement of the assets and liabilities of the disposal group held for distribution	Note 3.8

Critical accounting estimates and judgements related to climate-related risks

In addition, management has also considered the potential impact of climate-related risks on the Bank’s financial position and performance.

This involved undertaking an assessment of the Bank’s assets (both financial and non-financial) and evaluating whether the observable effects of physical and transition risk of climate change would have a material impact on the Bank’s financial position and performance in the current period. It is widely accepted that the effects of climate change in the UK will not be significant in the short term and that the inherent uncertainties in quantifying the effect of climate change in the financial statements are considerable and more likely to impact in the medium to longer term.

We have considered whether the Bank’s customer lending is exposed to the potential impact of climate-related risks, through the measurement of expected credit losses. Given the challenges associated with modelling specific climate projections, the Bank’s IFRS 9 scenarios do not make explicit assumptions about climate change impact. Notwithstanding this, we consider that as a UK-based bank with no significant lending outside of the UK, the potential for material ECLs to emerge as a result of climate change in the short term is negligible.

1.4 Critical accounting estimates and judgements (continued)

Overall, while the effects of climate change represent a source of uncertainty over the medium to longer term time horizons, the Bank does not consider there to be a material impact on its estimates and judgements from physical and transition risks of climate change in these financial statements.

Further information on the Group's approach to climate-related risks, including group-wide governance, strategy, risk management and disclosures aligned to emerging regulatory and reporting frameworks, is set out in the Group's Annual Report and Accounts.

1.5 New accounting standards and interpretations

The Bank adopted the following International Accounting Standards Board (IASB) pronouncement in the current financial year, which has been endorsed for use in the UK by the UK Endorsement Board (UKEB) and is not considered to have a material impact for the Bank:

- *Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates': Lack of Exchangeability*. This was issued in August 2023 (applicable for accounting periods beginning on or after 1 January 2025) and received endorsement for use in the UK in July 2024. The amendments add requirements to help determine whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not.

Notes to the financial statements (continued)
Section 2: Results for the period

2.1 Net interest income

Accounting policy

Interest income is recognised using the effective interest method which discounts the estimated future cash payments or receipts at the effective interest rate (EIR) over the expected life of the financial instrument to the gross carrying amount of the non-credit impaired financial asset. Interest expense is recognised using the same effective interest method on the amortised cost of the financial liability.

When calculating the EIR, cash flows are estimated considering all contractual terms of the financial instrument (for example prepayment, call and similar options) excluding future credit losses. The calculation includes all amounts paid or received that are an integral part of the EIR such as transaction costs and all other premiums or discounts. Where it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments) are used.

Loan origination and commitment fees are recognised within the EIR calculation. Fees in relation to the non-utilisation of a commitment are recognised as revenue upon expiry of the agreed commitment period.

Interest income on financial assets classified as in Stages 1 and 2 for IFRS 9 credit provisions is recognised on the gross carrying value of the financial asset using the original EIR. Once a financial asset or group of similar financial assets has been categorised as credit-impaired (Stage 3), interest income is recognised on the net carrying value (which is after deducting the ECL allowance from the gross lending) using the asset's original EIR. Interest income for POCI financial assets is calculated using the credit-adjusted EIR applied to the amortised cost of the financial asset from initial recognition. The Bank recognises and presents the reversal of ECLs following the curing of a credit impaired financial asset as a reversal of impairment losses. The Bank's policy on ECLs can be found in note 3.1.1.

Interest income includes finance lease income, which is recognised at a constant periodic rate of return on the net investment.

Interest income and interest expense on hedged assets and liabilities and financial assets and liabilities designated as FVTPL are also recognised as part of net interest income.

Interest income and interest expense on derivatives economically hedging interest-bearing financial assets or liabilities (but not designated as hedging instruments) and other financial assets and liabilities held at FVTPL (either mandatory or by election) are presented within net interest income.

	12 months to 31 Mar 2026	18 months to 31 Mar 2025
	£m	£m
Continuing operations		
Interest income		
Cash and balances with central banks	**22**	49
Net interest income	**22**	49

2.2 Operating and administrative expenses

	12 months to 31 Mar 2026	18 months to 31 Mar 2025
	£m	£m
Continuing operations		
Other operating costs	**6**	10
Total	**6**	10

Fees payable to the Bank's auditor for the audit of the Bank's financial statements were £4,955k (18 months to 31 March 2025: £8,399k). Fees payable to the Bank's auditor in relation to discontinued operations are set out in note 3.8. Out of pocket expenses of £90k (18 months to 31 March 2025: £180k) were borne by the Bank during the year.

2.3 Taxation

Accounting policy

Deferred tax assets and liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

A deferred tax asset is recognised for unused tax losses and unused tax credits only if it is probable that future taxable amounts will arise against which those temporary differences and losses may be utilised.

Critical accounting estimates and judgements

In arriving at the Bank's deferred tax asset balance of £406m (2025: £398m), significant judgement is exercised on the component of deferred tax assets that relate to tax losses carried forward of £234m (2025: £262m).

The Bank has assessed the likelihood of recovery of the deferred tax assets at 31 March 2026 and considers it probable that sufficient future taxable profits will be available over a reasonable planning horizon against which the underlying deductible temporary differences can be utilised. The deferred tax asset has been recognised on future profits arising within Nationwide attributable to the Clydesdale Bank trade, following the Part VII trade transfer. Deferred tax assets are recognised to the extent that they are expected to be utilised within six years of the balance sheet date. If, instead of six years, the period were five or seven years, the total recognised deferred tax asset would decrease to £373m or increase to £441m respectively. If taxable profit forecasts were 10% lower than anticipated, the total deferred tax asset would be £390m. If taxable profit forecasts were 10% higher than anticipated, the deferred tax asset would be £424m. All tax assets arising will be used within the UK.

	12 months to 31 Mar 2026	18 months to 31 Mar 2025
	£m	£m
Continuing operations		
Current tax		
Current period	**4**	9
Tax expense for the period	**4**	9

The tax assessed for the year is consistent with that arising from applying the standard rate of corporation tax in the UK of 25% (18 months to 31 March 2025: 25%).

Continuing operations	**12 months to 31 Mar 2026**	18 months to 31 Mar 2025
	£m	£m
Profit on ordinary activities before tax	**16**	39
Tax expense for the period based on the standard rate of corporation tax in the UK of 25% (2025: 25%)	**4**	9

Notes to the financial statements (continued)
Section 2: Results for the period (continued)

2.3 Taxation (continued)

The Bank has recognised deferred tax in relation to the following items in the balance sheet and the SOCI:

Movement in deferred tax asset/(liability)

	Acquisition accounting adjustments	Cash flow hedge reserve	EIR Asset	Gains on financial instruments at FVOCI	Tax losses carried forward	Capital allowances	Other temporary differences	Total deferred tax assets	Defined benefit pension scheme surplus	Total deferred tax liabilities
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 October 2023	(6)	(189)	120	(2)	348	98	14	383	(179)	(179)
SOCI credit/(charge)	2	-	(19)	-	(86)	(18)	-	(121)	22	22
Other comprehensive income credit	-	125	-	11	-	-	-	136	68	68
At 31 March 2025	(4)	(64)	101	9	262	80	14	398	(89)	(89)
SOCI credit/(charge)(1)	**2**	**-**	**(9)**	**-**	**(28)**	**8**	**(2)**	**(29)**	**(4)**	**(4)**
Other comprehensive income credit/(expense)(1)	**-**	**39**	**-**	**(2)**	**-**	**-**	**-**	**37**	**2**	**2**
Transfer to disposal group	**2**	**25**	**(92)**	**(7)**	**(234)**	**(88)**	**(12)**	**(406)**	**91**	**91**
At 31 March 2026	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(Liabilities)/assets of the disposal group held for distribution (note 3.8)	**(2)**	**(25)**	**92**	**7**	**234**	**88**	**12**	**406**	**(91)**	**(91)**

(1) Included within discontinued operations.

The Bank has a right to offset current tax assets against current tax liabilities and is party to a Group Payment Arrangement for payments of tax to HMRC. Therefore, in accordance with IAS 12, deferred tax assets and deferred tax liabilities have also been offset in this period where they relate to payments of income tax to this tax authority.

The Bank has unrecognised deferred tax assets of £161m (31 March 2025: £102m). These arise on gross trading losses of £459m, gross unrealised capital losses of £33m, and gross IFRS 5 accounting adjustments of £154m. In each case the potential asset is valued at the mainstream corporation tax rate of 25%. No asset is recognised because the reversal of the temporary differences against taxable profits is not forecast within the foreseeable future.

Other temporary differences include deferred tax assets for the IFRS 9 transitional adjustment of £4m and employee incentives of £7m (31 March 2025: £6m and £7m respectively).

Notes to the financial statements (continued)
Section 3: Assets and liabilities

3.1 Financial instruments

Accounting policy

Recognition and derecognition

Financial instruments are recognised when the Bank becomes party to the contractual provisions of the instrument. Purchases and sales of financial assets classified within FVTPL or FVOCI are predominantly recognised on trade date.

The Bank derecognises a financial asset when the contractual cash flows from the asset expire or it transfers the right to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Financial liabilities are derecognised when the Bank has discharged its obligation to the contract, or the contract is cancelled or expires.

Note 3.1.4 contains information on the valuation techniques and methodologies applied to financial instruments and their classification within the fair value hierarchy.

Classification and measurement

The Bank measures a financial asset or liability on initial recognition at its fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability (with the exception of financial assets or liabilities at FVTPL, where transaction costs are recognised directly in the SOCI as they are incurred).

Subsequent accounting for a financial asset is determined by the classification of the asset depending on the underlying business model and contractual cash flow characteristics. This results in classification within one of the following categories: (i) amortised cost (note 3.1.1); (ii) FVOCI (note 3.1.2); or (iii) FVTPL (note 3.1).

Repurchase agreements

Securities sold subject to sale and repurchase agreements (repo) are retained in their respective balance sheet categories. The associated liabilities are included in amounts due to other banks and similar institutions based upon the counterparties to the transactions. The difference between the sale and repurchase price of repos is treated as interest and accrued over the life of the agreements using the effective interest method.

Offsetting

This can only occur, and the net amount be presented on the balance sheet, when the Bank has a current legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Presentation of risk and maturity disclosures

Certain disclosures required under IFRS 7 ‘Financial instruments: disclosures’ and IAS 1 ‘Presentation of financial statements’ have been included within the audited sections of the Risk report. Where information is marked as audited, it is incorporated into these financial statements by this cross reference and is covered by the Independent auditor’s report.

Notes to the financial statements (continued)
Section 3: Assets and liabilities (continued)

3.1.1 Financial instruments at amortised cost

Accounting policy

A financial asset is measured at amortised cost when: (1) the asset is held within a business model whose objective is achieved by collecting contractual cash flows; and (2) the contractual terms give rise to cash flows on specified dates which are solely payments of principal and interest on the principal amount outstanding.

All financial liabilities are measured at amortised cost, except for financial liabilities at FVTPL. Such liabilities include derivative contracts, other than those which are financial guarantee contracts or designated and effective hedging instruments.

Financial assets classified at amortised cost are subject to ECL impairment requirements.

At each reporting date, the Bank assesses financial assets measured at amortised cost, as well as loan commitments and financial guarantees not measured at FVTPL, for impairment. The impairment loss allowance is calculated using an ECL methodology and reflects: (i) an unbiased and probability weighted amount; (ii) the time value of money which discounts the impairment loss; and (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL methodology is based upon the combination of PD, LGD and EAD estimates that consider a range of factors that impact on credit risk and consequently the level of impairment loss provisioning. The Bank uses reasonable and supportable forecasts of future economic conditions in estimating the ECL allowance. The methodology and assumptions used in the ECL calculation are reviewed regularly and updated as necessary. ECLs are assessed either collectively or individually.

The Bank's impairment policy for debt instruments at FVOCI is included in note 3.1.2. The impact of the ECL methodology on amounts due from other banks and similar institutions balances held at amortised cost is immaterial. ECLs relating to loan commitments and financial guarantees can be found in note 3.7.

SICR assessment and staging

The ECL is calculated as either 12-month (Stage 1) or lifetime depending on whether the financial asset has suffered a SICR since origination (Stage 2) or has otherwise become credit impaired (Stage 3) as at the reporting date. The Bank uses a PD threshold curve (distinct for each portfolio) to assess for a SICR in addition to the 30 DPD and 90 DPD backstops for recognising Stage 2 and Stage 3 ECLs respectively (with the exception of the heritage Virgin Money mortgage models, that apply a 180 DPD regulatory default trigger under existing approved permissions.)

Financial assets can move between stages when the relevant staging criteria are no longer satisfied subject to certain restrictions for forborne assets. If the level of impairment loss reduces in a subsequent year, the previously recognised impairment loss allowance is reversed and recognised in the SOCI.

POCI financial assets are those which are credit impaired upon initial recognition (being the point at which the asset was either purchased or originated). Once a financial asset is classified as POCI, it remains as such until derecognition irrespective of its credit quality at each reporting date. POCI financial assets are disclosed separately from those financial assets in Stage 3. The Bank regards the date of acquisition as the origination date for purchased portfolios.

Regardless of the calculation basis, the Bank generates a modelled ECL allowance at the individual financial instrument level. The modelled ECL output can be supplemented by management adjustments (MAs) where appropriate.

Write-offs and recoveries

When there is no reasonable expectation of recovery for a loan, it is written off against the related provision. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the impairment charge in the SOCI.

Critical accounting estimates and judgements

ECL methodology requires the Bank to apply estimates and exercise judgement when calculating an impairment allowance for credit exposures.

Further information on the chosen scenarios, macroeconomic assumptions, and scenario weightings used in the ECL calculation, including the use of MAs together with sensitivity analysis, is contained in the credit risk section of the Risk report on pages 10 to 26.

3.1.1.1 Loans and advances to customers

Accounting policy

Loans and advances to customers arise when the Bank provides money directly to a customer and includes mortgages, term lending, overdrafts, credit card lending, lease finance and invoice financing. They are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method and adjusted for ECLs. They are derecognised when the rights to receive cash flows have expired or the Bank has transferred substantially all the risks and rewards of ownership.

Leases entered into by the Bank as lessor, where the Bank transfers substantially all the risks and rewards of ownership to the lessee, are classified as finance leases. The leased asset is not held on the Bank balance sheet; instead, a finance lease is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease. Interest income is recognised in interest receivable, allocated to accounting years to reflect a constant periodic rate of return.

As at	**2026**(1)	2025
	£m	£m
Gross loans and advances to customers	**69,736**	71,207
Impairment provisions on credit exposures(2)	**(676)**	(733)
	69,060	70,474

(1) Included within assets of the disposal group held for distribution (note 3.8).
(2) ECLs on off-balance sheet exposures of £3m (2025: £4m) are presented as part of the provisions for liabilities and charges balance (note 3.7)

The Bank has a portfolio of fair valued business loans of £37m (2025: £47m) which are classified separately as financial assets at FVTPL and included within assets of the disposal group held for distribution (note 3.8). Interest rate risk associated with these loans is managed using interest rate derivative contracts and the loans are recorded at fair value to avoid an accounting mismatch. Combined with the above, this is equivalent to total gross loans and advances to customers of £69,097m (2025: £70,521m).

The Bank has transferred a proportion of mortgages to covered bond programmes (note 3.1.5). These mortgages have not been derecognised from gross loans and advances to customers and remain on the Bank's balance sheet (2026: £12,453m, 2025: £8,925m). In addition to these, the Bank also has a portion of mortgages that are held in securitisation programmes which continue to be held on the Bank's balance sheet (2026: £3,722m, 2025: £6,372m respectively).

Lease finance

The Bank leases a variety of assets to third parties under finance lease arrangements, including vehicles and general plant and machinery.

Finance lease receivables are presented in the balance sheet within loans and advances to customers. The maturity analysis of lease receivables, including the undiscounted lease payments to be received, is as follows:

Gross investment in finance lease and hire purchase receivables as at:	**2026**(1)	2025
	£m	£m
Less than 1 year	**355**	370
1-2 years	**218**	227
2-3 years	**148**	156
3-4 years	**86**	80
4-5 years	**48**	55
More than 5 years	**13**	15
	868	903
Unearned finance income	**(68)**	(75)
Net investment in finance lease and hire purchase receivables	**800**	828

(1) Included within assets of the disposal group held for distribution (note 3.8).

Impairment provisions on credit exposures

	12 months to 31 Mar 2026	18 months to 31 Mar 2025
	£m	£m
Opening balance	**733**	609
ECL charge for the period(1)	**181**	430
Amounts written off	**(289)**	(390)
Recoveries of amounts written off in previous years	**51**	84
Closing balance(2)	**676**	733

(1) The £180m charge for impairment losses on credit exposures (18 months to 31 March 2025: £429m) included in discontinued operations (note 3.8) also includes a £1m credit in respect of off-balance sheet ECLs (18 months to 31 March 2025: £1m credit) which are presented as part of the provisions for liabilities and charges balance (note 3.7).
(2) The impairment provisions on credit exposures balance as at 31 March 2026 is included within assets of the disposal group held for distribution (note 3.8).

Further details on the Bank's ECL provision can be found in the credit risk section of the Risk report (pages 10 to 26).

3.1.1.2 Cash and balances with central banks

Accounting policy

Cash and balances with central banks are measured at amortised cost using the effective interest method and are derecognised when the rights to receive cash flows have expired or the Bank has transferred substantially all the risks and rewards of ownership. These balances form part of the Bank's treasury-related activities and are mostly short term in nature and repayable on demand or within a short timescale, generally three months.

The impact of the ECL impairment requirements (note 3.1.1) on the Bank's cash and balances with central banks is immaterial.

As at	**2026** **£m**	2025 £m
Cash assets	**-**	937
Balances with central banks (including EU payment systems)	**1,258**	9,945
	1,258	10,882
Less mandatory deposits with central banks and collateral balances[1]	**-**	(848)
	1,258	10,034
Assets of the disposal group held for distribution (note 3.8)	**14,900**	-
	16,158	10,034

(1) Mandatory deposits are not available for use in the Bank's day-to-day business and are non-interest bearing.

As highlighted in note 3.8, the majority of the Bank's assets and liabilities as at 31 March 2026 were classed as a disposal group held for distribution as a result of the Part VII transaction which took place on 2 April 2026. The 31 March 2026 balance is split between what will continue to be recognised on the balance sheet as cash and balances with central banks post Part VII and what has been transferred to the disposal group.

3.1.1.3 Customer deposits

As at	**2026[1]** **£m**	2025 £m
Interest-bearing demand deposits	**48,079**	44,476
Term deposits	**19,802**	21,271
Non-interest-bearing demand deposits	**4,420**	4,176
	72,301	69,923
Accrued interest	**410**	460
	72,711	70,383

(1) Included within liabilities of the disposal group held for distribution (note 3.8).

3.1.1.4 Debt securities in issue

Accounting policy

Debt securities comprise short and long-term covered bonds issued by the Bank.

Debt securities are initially recognised at fair value, being the issue proceeds, net of transaction costs incurred. These instruments are subsequently measured at amortised cost using the effective interest method resulting in premiums, discounts and associated issuance costs being recognised in the SOCI over the life of the instrument.

As at	**2026[(1)]** **£m**	2025 £m
Covered bonds	**3,695**	4,383
Accrued interest	**54**	55
	3,749	4,438

(1) Included within liabilities of the disposal group held for distribution (note 3.8).

Key movements in the year are shown in the table below[(1)].

	12 months to 31 March 2026[(2)]				18 months to 31 March 2025			
	Issuances		**Redemptions**		Issuances		Redemptions	
	Denomination	**£m**	**Denomination**	**£m**	Denomination	£m	Denomination	£m
Covered bonds	**n/a**	**-**	**GBP**	**(750)**	GBP	500	GBP	(600)

(1) Other movements relate to foreign exchange and the capitalisation and amortisation of issuance costs. Further details of all notes in issue can be found at https://www.virginmoneyukplc.com/investor-relations/debt-investors/. This is supplementary, unaudited information not required by FRS 101.

(2) All covered bond issuances and redemptions are reflected within liabilities of the disposal group held for distribution (note 3.8).

3.1.1.5 Due to other banks and similar institutions

	2026[(1)] **£m**	2025 £m
Secured loans	**908**	910
Securities sold under agreements to repurchase	**-**	10
Transaction balances	**58**	10
Deposits	**9**	4
	975	934

(1) Included within liabilities of the disposal group held for distribution (note 3.8).

Secured loans comprise amounts drawn under the TFSME schemes (including accrued interest).

3.1.2 Financial assets at fair value through other comprehensive income

Accounting policy

A financial asset is measured at FVOCI when: (i) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) the contractual terms give rise to cash flows on specified dates which are solely payments of principal and interest on the principal amount outstanding, unless the financial asset is designated at FVTPL on initial recognition. An option for equity investments that are not held for trading can be taken to classify them at FVOCI where an irrevocable election is made at initial recognition. This is available for each separate investment, and the Bank has not exercised this option for any equity investments.

Interest income and impairment gains and losses on FVOCI assets are measured in the same manner as for assets measured at amortised cost and recognised in the SOCI, with all other gains or losses recognised in other comprehensive income as a separate component of equity in the period in which they arise. Gains and losses arising from changes in fair value are included as a separate component of equity until sale, when the cumulative gain or loss is transferred to the SOCI. For all FVOCI assets, the gain or loss is calculated with reference to the gross carrying amount.

Debt instruments at FVOCI are subject to the same impairment criteria as amortised cost financial assets (note 3.1.1), with the ECL element recognised directly in the SOCI. As the financial asset is FVOCI, the change in its value includes the ECL element, with the remaining fair value change recognised in other comprehensive income. Any reversal of the ECL is recorded in the SOCI up to the value recognised previously.

A low credit risk option is available which allows entities not to assess whether there has been a significant increase in credit risk since initial recognition where the financial asset is deemed as being of low credit risk at the reporting date. The result of exercising the low credit risk exemption is that the financial assets are classed under Stage 1 with a 12-month ECL calculation applied. Following the acquisition by Nationwide, the Bank no longer exercises the low credit risk option for debt instruments classified as FVOCI. This has not impacted the ECL provision, which remains immaterial for these financial assets.

Financial assets at FVOCI consists of £3,835m of listed securities (2025: £6,197m) and are included within assets of the disposal group held for distribution (note 3.8).

Note 3.1.4 contains further information on the valuation methodology applied to financial instruments at FVOCI and their classification within the fair value hierarchy. Details of the credit quality of financial assets are provided in the Risk report.

3.1.3 Financial instruments at fair value through profit or loss

Accounting policy

A financial instrument is measured at FVTPL if it: (i) does not fall into one of the business models for amortised cost (note 3.1.1) or FVOCI (note 3.1.2); (ii) is specifically designated as FVTPL on initial recognition in order to eliminate or significantly reduce a measurement mismatch; or (iii) is classified as held for trading.

A financial instrument is classified as held for trading if it is acquired principally for the purpose of selling in the near term, forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

Associated gains and losses are recognised in the SOCI as they arise.

Derivatives

The Bank uses derivative financial instruments to manage exposure to interest rate, contractually specified inflation and foreign currency risk. Interest rate risk arises primarily due to the mismatch, or duration, between repricing dates of interest-bearing assets and liabilities, or basis risk from assets and liabilities repricing to different reference rates. Contractually specified inflation risk arises from financial instruments whose cash flows are linked to an inflation index. Currency risk arises when assets and liabilities are not denominated in the functional currency of the entity. Derivatives are recognised on the balance sheet at fair value on trade date and are measured at fair value throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The notional amount of a derivative contract is not recorded on the balance sheet but is disclosed as part of this note.

Netting

Derivative assets and liabilities are offset against collateral received and paid respectively, and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis. Amounts offset on the balance sheet represent the Bank's centrally cleared derivative financial instruments and collateral paid to/from central clearing houses, which meet the criteria for offsetting under IAS 32.

Hedge accounting

The Bank elects to apply hedge accounting for the majority of its risk management activity that uses derivatives. This results in greater alignment in the timing of recognition of gains and losses on hedged items and hedging instruments and therefore reduces SOCI volatility. The Bank does not have a trading book; however, derivatives that do not meet the hedging criteria, or for which hedge accounting is not applied, are classified as held for trading.

For the period from 1 October 2023 to 30 September 2024, the Bank elected, as a policy choice permitted under IFRS 9, to continue to apply IAS 39 for hedge accounting. From 1 October 2024, the Bank voluntarily adopted the hedge accounting provisions of IFRS 9 on a prospective basis but has continued to apply the scope exception which allows ongoing application of IAS 39 for fair value macro hedges.

The method of recognising the fair value gain or loss on a derivative depends on whether it is designated as a hedging instrument and the nature of the item being hedged. Certain derivatives are designated as either hedges of highly probable future cash flows attributable to a recognised asset or liability, or a highly probable forecast transaction (a cash flow hedge), or hedges of the fair value of recognised assets or liabilities or firm commitments (a fair value hedge).

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. Specifically, the separate component of equity (note 4.1.3) is adjusted to the lesser of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the expected future cash flows on the hedged item from the inception of the hedge. Any remaining gain or loss on the hedging instrument is recognised in the SOCI. The carrying value of the hedged item is not adjusted. Amounts accumulated in equity are transferred to the SOCI in the period in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss remains in equity and is recognised when the forecast transaction is ultimately recognised in the SOCI. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the SOCI.

Fair value hedge

Fair value hedge accounting results in the carrying value of the hedged asset or liability being adjusted to reflect changes in fair value attributable to the risk being hedged. This creates an offset to the fair value movements of the hedging instrument. Changes in the fair value of the hedged items and hedging instruments are recorded in the SOCI, except for changes in the fair value of hedging instruments accounted for under IFRS 9 which are attributable to foreign currency basis spreads. Where foreign currency basis spreads are excluded from hedge designation, this element of the fair valuation of the hedging instrument is instead recognised directly within equity within the 'other hedging reserve'.

3.1.3 Financial instruments at fair value through profit or loss (continued)

Accounting policy

Where the hedged item is derecognised from the balance sheet, the adjustment to the carrying amount of the asset or liability is immediately transferred to the SOCI. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the SOCI over the remaining life of the asset or liability.

At inception each hedge relationship is formally documented, including a description of the hedged item and the hedging instrument, as well as the methods which will be used to assess the effectiveness of the hedge. Hedges accounted for under IFRS 9 are required to be effective on a prospective basis, in line with risk management strategy. Macro hedges which continue to be accounted for under IAS 39 are required to be highly effective on both a retrospective and a prospective basis.

For macro fair value hedges which continue to be accounted for under IAS 39, the Bank may also decide to cease hedge accounting even though the hedge relationship continues to be highly effective by ceasing to designate the financial instrument as a hedge. For hedges accounted for under IFRS 9, the Bank is unable to voluntarily de-designate hedging relationships unless there has been a change in risk management objectives.

Derivatives held for trading

Changes in value of held for trading derivatives are immediately recognised in the SOCI.

3.1.3.1 Derivatives

The tables below analyse derivatives between those designated as hedging instruments and those classified as held for trading:

As at	**2026[1]**	2025
	£m	£m
Fair value of derivative financial assets		
Designated as hedging instruments	**-**	5
Designated as held for trading	**13**	15
	13	20
Fair value of derivative financial liabilities		
Designated as hedging instruments	**2**	38
Designated as held for trading	**31**	36
	33	74

(1) Included within assets and liabilities of the disposal group held for distribution (note 3.8).

Cash collateral totalling £46m (2025: £98m) has been pledged and £9m has been received (2025: £4m) in respect of derivatives with other banks. These amounts are included within amounts due from and due to other banks and similar institutions respectively. Net collateral received from clearing houses, which did not meet offsetting criteria, totalled £58m (2025: £8m) and is included within other assets and other liabilities.

The derivative financial instruments held by the Bank are further analysed below. The notional contract amount is the amount from which the cash flows are derived and does not represent the principal amounts at risk relating to these contracts.

Notes to the financial statements (continued)
Section 3: Assets and liabilities (continued)

3.1.3.1 Derivative financial instruments (continued)

As at	**2026[(1)]**			2025		
	Notional contract amount £m	Fair value of assets £m	Fair value of liabilities £m	Notional contract amount £m	Fair value of assets £m	Fair value of liabilities £m
Derivatives designated as hedging instruments						
Cash flow hedges						
Interest rate swaps (gross)	**37,143**	**249**	**209**	28,014	311	138
Less: net settled interest rate swaps	**(37,140)**	**(249)**	**(207)**	(27,942)	(306)	(135)
Interest rate swaps (net)	**3**	**-**	**2**	72	5	3
Fair value hedges						
Interest rate swaps (gross)[(2)]	**32,662**	**503**	**60**	27,666	692	720
Less: net settled interest rate swaps	**(32,662)**	**(503)**	**(60)**	(27,666)	(692)	(720)
Interest rate swaps (net)	**-**	**-**	**-**	-	-	-
Cross currency swaps	**-**	**-**	**-**	1,088	-	35
Total derivatives designated as hedging instruments	**3**	**-**	**2**	1,160	5	38
Derivatives designated as held for trading						
Foreign exchange rate related contracts						
Spot and forward foreign exchange	**594**	**5**	**6**	510	3	4
	594	**5**	**6**	510	3	4
Interest rate related contracts						
Interest rate swaps (gross)	**1,717**	**20**	**20**	2,031	26	27
Less: net settled interest rate swaps	**(827)**	**(18)**	**(2)**	(927)	(22)	(3)
Interest rate swaps (net)	**890**	**2**	**18**	1,104	4	24
Swaptions	**10**	**-**	**1**	10	-	1
Options	**873**	**5**	**5**	1,164	5	5
	1,773	**7**	**24**	2,278	9	30
Commodity related contracts	**2**	**1**	**1**	76	3	2
Total derivatives designated as held for trading	**2,369**	**13**	**31**	2,864	15	36

(1) Included within assets and liabilities of the disposal group held for distribution (note 3.8).

(2) Includes inflation and interest rate risk related swaps detailed in the summary of hedging instruments in designated hedge relationships table on page 76.

Hedge accounting

The hedging strategy of the Bank is divided into micro hedges, where the hedged item is a distinctly identifiable asset or liability, and portfolio hedges, where the hedged item is a homogeneous portfolio of assets or liabilities.

In some hedge accounting relationships, the Bank designates risk components of hedged items as follows:

- Benchmark interest rate risk as a component of interest rate risk, such as the SONIA component;
- Exchange rate risk for foreign currency financial assets and financial liabilities;
- Inflation risk where it is a contractually specified component of a debt instrument; and
- Components of cash flows of hedged items, for example cash flows linked to benchmark rates such as SONIA.

Other risks such as credit risk and liquidity risk are managed by the Bank but are not included in the hedge accounting relationship. Changes in the designated risk component usually account for the largest portion of the overall change in fair value or cash flows of the hedged item.

Notes to the financial statements (continued)
Section 3: Assets and liabilities (continued)

3.1.3.1 Derivative financial instruments (continued)

Portfolio cash flow hedges

The Bank applies macro cash flow hedge accounting to a portion of its floating rate financial assets and liabilities. The hedged cash flows are a group of forecast transactions that result in cash flow variability from resetting of interest rates, reinvestment of financial assets, or refinancing and rollovers of financial liabilities. This cash flow variability can arise on recognised assets or liabilities or highly probable forecast transactions. The hedged items are designated as the gross asset or liability positions allocated to time buckets based on projected repricing and interest profiles. The Bank aims to maintain a position where the principal amount of the hedged items is greater than or equal to the notional amount of the corresponding interest rate swaps used as the hedging instruments. The hedge accounting relationship is reassessed on a monthly basis with the composition of hedging instruments and hedged items changing frequently in line with the underlying risk exposures.

From 3 April 2026, following the Part VII transfer (note 5.5), the hedged future cash flows will occur in Nationwide Building Society rather than the Bank, with the relevant hedged items and instruments included in assets/(liabilities) held for disposal at 31 March 2026 (note 3.8).

The assessment of whether the hedged cash flows are highly probable and still expected to occur has been performed on a 'business view'. The Bank therefore continued to apply cash flow hedging as at 31 March 2026 and did not discontinue the cash flow hedge until the business and net assets were transferred to Nationwide Building Society on 2 April 2026. Refer to note 5.5 for further details.

Portfolio fair value hedges

The Bank applies macro fair value hedging to a portion of its fixed rate mortgages. The Bank determines hedged items by identifying portfolios of homogeneous loans based on their contractual maturity and other risk characteristics. Loans within the identified portfolios are allocated to repricing time buckets based on expected, rather than contractual, repricing dates. The hedging instruments are designated to those repricing time buckets. Hedge effectiveness is measured monthly, by comparing fair value movements of the designated proportion of the bucketed loans due to the hedged risk against the fair value movements of the derivatives.

The aggregated fair value changes in the hedged loans are recognised on the Bank's balance sheet as an asset. At the end of every month, to minimise the ineffectiveness from early repayments and accommodate new exposures, the Bank voluntarily de-designates the hedge relationships and redesignates them as new hedges.

Micro fair value hedges

The Bank uses this hedging strategy on GBP inflation linked assets or GBP or foreign currency denominated fixed rate assets held at FVOCI, and GBP or foreign currency denominated fixed rate debt issuances by the Bank. Where assets and liabilities are exposed to multiple risk components, for example interest rate and foreign currency risk, these components are simultaneously designated as hedged risks within the same hedge relationship.

Hedge ineffectiveness

Hedge ineffectiveness can arise from:

- mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences;
- differences in timing of cash flows of hedged items and hedging instruments;
- changes in expected timings and amounts of forecast future cash flows; and
- derivatives used as hedging instruments having a non-zero fair value at the time of designation.

Ineffectiveness also arises from the difference between forecast and actual repayments giving rise to prepayment risk within portfolio fair value hedges of the Bank's fixed rate mortgage portfolio.

The Bank has no remaining hedge relationships exposed to LIBOR and, as no uncertainty remains regarding interest rate benchmark reform, the Bank no longer applies the reliefs provided by 'Interest Rate Benchmark Reform - Phase 1 and Phase 2 amendments' to hedge accounting.

Notes to the financial statements (continued)
Section 3: Assets and liabilities (continued)

3.1.3.1 Derivative financial instruments (continued)

Summary of hedging instruments in designated hedge relationships

In the table below, the Bank sets out the accumulated adjustments arising from the corresponding continuing hedge relationships, irrespective of whether there was a change in hedge designation during the period:

	2026(1)				2025			
As at		**Carrying amount**				Carrying amount		
	Notional contract amount £m	**Assets £m**	**Liabilities £m**	**Change in fair value of hedging instrument in the period used for ineffectiveness measurement(3) £m**	Notional Contract Amount £m	Assets £m	Liabilities £m	Change in fair value of hedging Instrument in the period used for Ineffectiveness measurement(3) £m
CASH FLOW HEDGES								
Interest rate risk								
Interest rate swaps(2)	**37,143**	**249**	**209**	**(110)**	28,014	311	138	(389)
Total derivatives designated as cash flow hedges	**37,143**	**249**	**209**	**(110)**	28,014	311	138	(389)
FAIR VALUE HEDGES								
Interest rate risk								
Interest rate swaps(2)	**32,662**	**503**	**60**	**98**	26,186	516	132	(284)
Inflation and interest rate risk								
Inflation linked interest rate swaps(2)	**-**	**-**	**-**	**(38)**	1,480	176	588	(41)
Foreign exchange and interest rate risk								
Cross currency swaps	**-**	**-**	**-**	**24**	1,088	-	35	20
Total derivatives designated as fair value hedges	**32,662**	**503**	**60**	**84**	28,754	692	755	(305)

(1) Included within assets and liabilities of the disposal group held for distribution (note 3.8).

(2) As shown in the total derivatives contracts table on page 74, for centrally cleared derivatives, where the IAS 32 'Financial instruments: presentation' netting criteria is met, the derivative balances are offset within other assets. For all other derivatives, the derivative balances are presented within derivative financial instruments.

(3) Changes in fair value of cash flow hedging instruments are recognised in other comprehensive income within discontinued operations. Changes in fair value of fair value hedging instruments are recognised in the SOCI in non-interest income within discontinued operations.

3.1.3.1 Derivative financial instruments (continued)

Summary of hedged items in designated hedge relationships

In the table below, the Bank sets out the accumulated adjustments arising from the corresponding continuing hedge relationships, irrespective of whether there was a change in hedge designation during the period.

As at	2026[(1)]			2025		
	Change in fair value of hedged item in the period used for ineffectiveness measurement	Cash flow hedge reserve		Change in fair value of hedged item in the period used for ineffectiveness measurement	Cash flow hedge reserve	
		Continuing hedges	Discontinued hedges		Continuing hedges	Discontinued hedges
	£m	£m	£m	£m	£m	£m
CASH FLOW HEDGES						
Interest rate risk						
Gross floating rate assets and gross floating rate liabilities[(2)]	**105**	**33**	**52**	368	144	89
Total	**105**	**33**	**52**	368	144	89

	2026[(1)]				2025			
	Carrying amount of hedged items		Accumulated hedge adjustment on the hedged item	Change in fair value of hedged items in the period used for ineffectiveness measurement	Carrying amount of hedged items		Accumulated hedge adjustment on the hedged item	Change in fair value of hedged items in the period used for ineffectiveness measurement
	Assets	Liabilities			Assets	Liabilities		
	£m	£m	£m	£m	£m	£m	£m	£m
FAIR VALUE HEDGES								
Interest rate risk								
Fixed rate mortgages	**29,403**	**-**	**(185)**	**(112)**	20,404	-	(116)	303
Fixed rate FVOCI debt instruments	**2,858**	**-**	**(445)**	**(12)**	3,411	-	(464)	57
Fixed rate issuances	**-**	**(306)**	**(5)**	**(27)**	-	(2,298)	47	(143)
Inflation and interest rate risk								
Fixed rate FVOCI debt instruments	**-**	**-**	**-**	**35**	1,158	-	(86)	44
Foreign exchange and interest rate risk								
Fixed rate currency FVOCI debt instruments	**-**	**-**	**-**	**-**	-	-	-	2
Fixed rate currency issuances	**-**	**-**	**-**	**(24)**	-	(1,067)	76	(28)
Total	**32,261**	**(306)**	**(635)**	**(140)**	24,973	(3,365)	(543)	235

(1) Included within assets and liabilities of the disposal group held for distribution (note 3.8).

(2) Highly probable future cash flows arising from loans and advances to customers, due to customers and debt securities in issue.

3.1.3.1 Derivative financial instruments (continued)

Offsetting of financial assets and liabilities

The Bank enters into derivatives and repurchase agreements with various counterparties, which are governed by industry-standard master netting agreements. The Bank holds and provides collateral in respect of transactions covered by these agreements. The right to offset balances under these master netting agreements only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

The amounts offset on the balance sheet, as shown below, mainly represent derivatives and variation margin collateral with central clearing houses, which meet the criteria for offsetting under IAS 32.

Collateral amounts included in the table below are limited to the net balance sheet exposure to exclude any over collateralisation. The table excludes financial instruments not subject to offset and that are formally subject to collateral arrangements (for example loans and advances). The net amounts presented in the table are not intended to represent the Bank's exposure to credit risk, as the Bank will use a wide range of strategies to mitigate credit risk in addition to netting and collateral.

	Offsetting recognised on the balance sheet under IAS 32			Netting potential not recognised on the balance sheet		
2026	Gross amounts before offset £m	Amounts offset on balance sheet £m	Net amounts presented on balance sheet £m	Subject to master netting agreements £m	Cash collateral pledged/ received(2) £m	Net amount £m
Derivative assets	**783**	**(770)**	**13**	**(3)**	**(6)**	**4**
Derivative liabilities	**(302)**	**269**	**(33)**	**3**	**-**	**(30)**
Net position(1)	**481**	**(501)**	**(20)**	**-**	**(6)**	**(26)**
Repurchase agreements	**-**	**-**	**-**	**-**	**-**	**-**
2025						
Derivative assets	1,041	(1,021)	20	(4)	(3)	13
Derivative liabilities	(932)	858	(74)	4	37	(33)
Net position(1)	109	(163)	(54)	-	34	(20)
Repurchase agreements	(10)	-	(10)	10	-	-

(1) The net position is offset against variation margin cash collateral with central clearing houses included within due from and due to other banks and similar institutions.

(2) Cash collateral amounts not offset under IAS 32 in respect of derivatives with other banks are included within due from and due to other banks and similar institutions. Variation margin cash collateral amounts not offset under IAS 32 in respect of derivatives with central clearing houses are included within due from and due to other banks and similar institutions.

3.1.4 Fair value of financial instruments

Accounting Policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

When available, the Bank measures the fair value of a financial instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Where no such active market exists for the particular asset or liability, the Bank uses a valuation technique to arrive at the fair value. This includes the use of transaction prices obtained in recent arm's length transactions where possible, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. This enables fair value to be estimated using a valuation technique that makes maximum possible use of market inputs and that places minimal possible reliance upon entity-specific inputs.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, which represents the fair value of the consideration paid or received. Where that does not exist, the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Bank recognises profits or losses on the transaction date.

In certain limited circumstances, the Bank applies the fair value measurement option to financial assets including loans and advances where the inherent market risks (principally interest rate and option risk) are individually hedged using appropriate interest rate derivatives. The loan is designated as being carried at FVTPL to offset the movements in the fair value of the derivative within the SOCI and therefore avoid an accounting mismatch. When a loan is held at fair value, a statistical-based calculation is used to estimate credit losses attributable to adverse movements in credit risk on the assets held. This adjustment to the credit quality of the asset is then applied to the carrying amount of the loan to arrive at fair value and recognised in the SOCI.

Analysis of the fair value disclosures uses a hierarchy that reflects the significance of inputs used in measuring fair value. The level in the fair value hierarchy within which a fair value measurement is categorised is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The fair value measurement hierarchy is as follows:

- Level 1 - quoted prices (unadjusted) in active markets for an identical financial asset or liability.
- Level 2 - inputs other than quoted prices within Level 1 that are observable for the financial asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 - inputs for the financial asset or liability that are not based on observable market data (unobservable inputs).

For the purpose of reporting movements between levels of the fair value hierarchy, transfers are recognised at the beginning of the reporting year in which they occur.

Notes to the financial statements (continued)
Section 3: Assets and liabilities (continued)

3.1.4 Fair value of financial instruments (continued)

(a) Fair value of financial instruments recognised at amortised cost

The tables show a comparison of the carrying amounts of financial assets and liabilities measured at amortised cost, as reported on the balance sheet, and their fair values where these are not approximately equal.

There are various limitations inherent in this fair value disclosure, particularly where prices are derived from unobservable inputs, due to some financial instruments not being traded in an active market. The methodologies and assumptions used in the fair value estimates are therefore described in the notes to the tables. The difference between carrying value and fair value is relevant in a trading environment but is not relevant to assets such as loans and advances.

	2026[1]		2025	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets	**£m**	**£m**	£m	£m
Loans and advances to customers[2]	**69,060**	**68,830**	70,474	71,365
Financial liabilities				
Customer deposits[3]	**72,711**	**72,647**	70,383	70,297
Debt securities in issue[4]	**3,749**	**3,753**	4,438	4,445
Due to related entities[3]	**6,224**	**6,249**	6,342	6,423

(1) Included within assets and liabilities of the disposal group held for distribution (note 3.8).
(2) Categorised as Level 3 in the fair value hierarchy with the exception of £1,029m (2025: £995m) of business overdrafts which are categorised as Level 2.
(3) Categorised as Level 3 in the fair value hierarchy.
(4) Categorised as Level 1 in the fair value hierarchy.

The fair values of financial instruments at amortised cost are based on the following methodologies and assumptions:

(a) *Loans and advances to customers* - determined by firstly segregating them into portfolios which have similar characteristics. Contractual cash flows are then adjusted for ECLs and expectations of customer behaviour based on observed historic data. The cash flows are then discounted at a weighted average cost of capital (appropriate to the portfolio) to arrive at an estimate of their fair value.

(b) *Customer deposits* - determined using a replacement cost method which assumes alternative funding is raised in the most advantageous market. The contractual cash flows have been discounted using a funding curve with credit spreads reflecting the tenor of each deposit.

(c) *Debt securities in issue* - taken directly from quoted market prices where available or determined from a discounted cash flow model using current market rates for instruments of similar terms and maturity.

(d) *Due to related entities* - derived from quoted market prices of the related debt security in issue after accounting for differences in credit spread or determined from a discounted cash flow model. All other amounts due from related entities are redeemable at call and therefore carrying value approximates fair value.

Notes to the financial statements (continued)
Section 3: Assets and liabilities (continued)

3.1.4 Fair value of financial instruments (continued)

(b) Fair value of financial instruments recognised at fair value

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, using the fair value hierarchy described above.

As at	**31 Mar 2026[(1)]**				31 Mar 2025			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Financial assets								
Held at FVOCI	**3,835**	**-**	**-**	**3,835**	6,197	-	-	6,197
Loans and advances to customers	**-**	**37**	**-**	**37**	-	47	-	47
Derivatives	**-**	**13**	**-**	**13**	-	20	-	20
Other	**-**	**-**	**2**	**2**	-	-	1	1
Total financial assets at fair value	**3,835**	**50**	**2**	**3,887**	6,197	67	1	6,265
Financial liabilities								
Derivatives	**-**	**33**	**-**	**33**	-	74	-	74
Total financial liabilities at fair value	**-**	**33**	**-**	**33**	-	74	-	74

(1) Included within assets and liabilities of the disposal group held for distribution (note 3.8).

There were no transfers between Level 1 and 2 in the current or prior period.

The Bank's valuations for financial instruments that are measured subsequent to initial recognition at fair value are based on the following methodologies and assumptions:

(a) Held at FVOCI – based on quoted closing market prices.

(b) Loans and advances to customers – derived from data or valuation techniques based upon observable market data and non-observable inputs as appropriate to the nature and type of the underlying instrument.

(c) Derivative financial assets and liabilities – includes foreign exchange contracts, interest rate swaps, interest rate and currency option contracts, and currency swaps, and are obtained from discounted cash flow models or option pricing models as appropriate.

(d) Other – represents unlisted debt and equity investments for which the transaction price is considered the best representation of the exit price and is the Bank's best estimate of fair value.

Sensitivity of Level 3 fair value measurements to reasonably possible alternative assumptions

The Bank has limited exposure to Level 3 fair value measurements. If all risks inherent in the valuations were to crystallise in their entirety, total assets would reduce by £2m and lead to the immediate recognition of a loss recognised in the SOCI.

3.1.5 Covered bond programmes

Accounting policy

The Bank sponsors the formation of structured entities, primarily for the purpose of facilitation of asset securitisation and covered bond transactions, the full details of which can be found in note 3.9. The Bank has no shareholding in these entities, but is exposed, or has rights, to variable returns and has the ability to affect those returns.

Securitisation

The Bank has securitised a portion of its retail mortgage loan portfolio under master trust securitisation programmes. The securitised mortgage loans have been assigned at principal value to bankruptcy remote structured entities. The securitised debt holders have no recourse to the Bank other than the principal and interest (including fees) generated from the securitised mortgage loan portfolio.

Covered bonds

A subset of the Bank's retail mortgage loan portfolio has been ring-fenced and assigned to a bankruptcy remote limited liability partnership, Eagle Place Covered Bonds LLP, to provide a guarantee for the obligations payable on the covered bonds issued by the Bank.

The covered bond holders have dual recourse: firstly, to the bond issuer on an unsecured basis; and secondly, to the LLP under the Covered Bond Guarantee secured against the mortgage loans.

Under the covered bond programmes, the mortgage loans do not qualify for derecognition because the Bank remains exposed to the majority of the risks and rewards of the mortgage loan portfolio, principally the associated credit risk. The Bank continues to service the mortgage loans in return for an administration fee and is also entitled to any residual income after all payment obligations due under the terms of the programmes and senior programme expenses have been met. A deemed loan liability is recognised in the programme sponsor entity accounts for the proceeds of the funding transaction.

Significant restrictions

Where the Bank uses its financial assets to raise finance through the sale of securities subject to repurchase agreements, the assets become encumbered and are not available for transfer around the Group.

The assets and liabilities in relation to covered bonds in issue at the period end are as follows (excluding accrued interest):

	2026[(1)]		2025	
	Loans and advances securitised	**Notes in issue**	Loans and advances securitised	Notes in issue
	£m	**£m**	£m	£m
Covered bond programmes				
Clydesdale Bank PLC (formerly Virgin Money PLC)	**12,453**	**3,695**	8,925	4,383

(1) Included within assets and liabilities of the disposal group held for distribution (note 3.8).

Looking forward through future reporting years there are a number of date-based options on the notes issued by the structured entities which could be actioned by them as issuer. These could require the Bank, as sponsor, to provide additional liquidity support.

Covered bond programme

The nominal level of over-collateralisation was £8,883m (2025: £4,065m) in the Clydesdale Bank PLC (formerly Virgin Money PLC) programme. From time to time the obligations of the Bank to provide over-collateralisation may increase due to the formal requirements of the programme.

Under all programmes, the Bank has an obligation to repurchase mortgage exposures if certain mortgage loans no longer meet the programme criteria.

Notes to the financial statements (continued)
Section 3: Assets and liabilities (continued)

3.2 Intangible assets and goodwill

	Capitalised software	Goodwill	Core deposit intangible	Total
	£m	£m	£m	£m
Cost				
At 1 April 2025 **and 31 March 2026**	397	11	6	414
Additions	9	-	-	9
Write-off	(9)	-	-	(9)
At 31 March 2026	**397**	**11**	**6**	**414**
Accumulated amortisation and impairment				
At 1 April 2025	305	-	6	311
Charge for the period	72	-	-	72
Impairment	20	11	-	31
At 31 March 2026	**397**	**11**	**6**	**414**
Net book value				
At 31 March 2026	**-**	**-**	**-**	**-**

An impairment charge of £31m has been recognised in the year (18 months to 31 March 2025: £Nil). This relates to the impairment of the disposal group assets, which combined with the write off of capitalised software of £9m, is recognised directly in equity (note 3.8). In addition, an accelerated amortisation charge of £37m has been recognised (18 months to 31 March 2025: £Nil) following an assessment of the ongoing benefit and remaining lives in light of the Group's technology roadmap. This is recognised within operating and administrative expenses and is included in discontinued operations.

3.3 Retirement benefit obligations

Accounting policy

Defined benefit pension scheme

A liability or asset is recognised on the balance sheet in respect of the defined benefit scheme and is measured as the difference between the present value of the defined benefit obligation less the fair value of the defined benefit scheme assets at the reporting date. The present value of the defined benefit obligation for the scheme is discounted by high-quality corporate bond rates that have maturity dates approximating to the terms of the defined benefit obligation. Surpluses are only recognised to the extent that they are recoverable through reduced contributions in the future or through refunds from the scheme. In assessing whether a surplus is recoverable, the Bank adheres to IFRIC 14 - 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', specifically the Bank's ability to obtain a refund assuming the gradual settlement of plan liabilities over time (IFRIC 14.11(b)).

Pension expense attributable to the Bank's defined benefit scheme comprises current service cost, past service cost resulting from a scheme amendment or curtailment, net interest on the net defined benefit obligation/asset, gains or losses on settlement and administrative costs incurred. Where actuarial remeasurements arise, the Bank recognises such amounts directly in equity through the SOCI in the period in which they occur. Actuarial remeasurements arise from experience adjustments (the effects of differences between previous actuarial assumptions and what has actually occurred) and changes in actuarial assumptions.

Defined benefit pension scheme

The Bank is a participating employer of the Yorkshire and Clydesdale Bank Pension Scheme (the Scheme), a defined benefit pension scheme. The following table summarises the present value of the defined benefit obligation and fair value of plan assets for the Scheme:

	2026(1) **£m**	2025 £m
Active members' defined benefit obligation	**(4)**	(4)
Deferred members' defined benefit obligation	**(983)**	(1,004)
Pensioner and dependant members' defined benefit obligations	**(1,175)**	(1,228)
Total defined benefit obligation	**(2,162)**	(2,236)
Fair value of Scheme assets	**2,528**	2,593
Net defined benefit pension asset	**366**	357

(1) Included within assets of the disposal group held for distribution (note 3.8).

The Scheme was established under trust in December 1951 with the assets held in a Trustee administered fund. The Scheme formed its current structure in September 2009 with the merger of the respective deeds of the Clydesdale Bank Scheme and the Yorkshire Bank Pension Fund; a consolidated trust deed and rules subsequently replaced the 2009 deed on 29 June 2015. The Trustee is responsible for the operation and governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy.

For the majority of the year, the Bank was the Scheme's sole participating employer. On 27 March 2026, in preparation for the Part VII transfer, Nationwide Building Society became the principal employer of the Scheme, with the Bank remaining as a participating employer for all but two of the Scheme's members up until the Part VII transfer on 2 April 2026. These changes were implemented by a separate Deed of Participation, Substitution and Flexible Apportionment Arrangement entered into between the Trustee, Nationwide Building Society and the Bank. From 3 April 2026, responsibility for the Scheme liabilities transferred to Nationwide Building Society and the Bank ceased to be a participating employer. These changes have no impact on member benefits, nor did they negatively impact the Bank's ability to recognise a surplus as at 31 March 2026 under IFRIC 14.11(b).

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator, sets out the framework for funding defined benefit occupational pension plans in the UK.

The Bank has implemented several reforms to the Scheme to manage the obligation. It closed the Scheme to new members in 2004 and, since April 2006, has provided benefits accruing on a career average revalued earnings basis. On 1 August 2017, the Scheme was closed to future benefit accrual for the majority of current employees, with both affected and new employees' future pension benefits being provided through the Bank's existing defined contribution scheme, 'My Retirement'. The SOCI charge for this is included within operating and administrative expenses under discontinued operations (note 3.8).

3.3 Retirement benefit obligations (continued)

Scheme valuations

There are a number of means of measuring liabilities in the defined benefit schemes, with the aim of the Trustee being that the Scheme is 100% funded on an agreed self-sufficiency basis (which is where the Scheme is essentially self-funded and does not need to call on the Bank for any additional funding). The two bases used by the Bank to value its obligations are: (i) an IAS 19 accounting basis; and (ii) a Trustee's Technical Provision basis.

(i) IAS 19 accounting basis

The valuations of the Scheme assets and obligations are calculated on an accounting basis in accordance with the applicable accounting standard, IAS 19, which provides the basis for the accounting framework and methodology for entries in the SOCI, balance sheet and capital reporting. The principal purpose of this valuation is to allow comparison of pension obligations between companies. The obligation under an accounting valuation can be higher or lower than those under a Trustee's Technical Provision valuation.

The rate used to discount the obligation on an IAS 19 basis is a key driver of any potential volatility and is based on yields on AA rated high-quality corporate bonds, regardless of how the Trustee of the Scheme invests the assets. The accounting valuation under IAS 19 can therefore move adversely because of low rates and narrowing credit spreads which are not fully matched by the Scheme assets. Inflation is another key source of volatility and arises as a result of member benefits having an element of index linking, which causes the obligation to increase in line with rises in long-term inflation assumptions. In practice, however, the relationship between interest and inflation rates over the long term tends to be negatively correlated, resulting in a degree of risk offset.

(ii) Trustee's Technical Provision basis

This valuation basis reflects how much money the Trustee considers is required now in order to provide for the promised benefits as they come up for payment in the future. The Trustee is responsible for ensuring that the calculation is conducted prudently on an actuarial basis, considering factors including the Scheme's investment strategy and the relative financial strength of the participating employer.

A key aspect of this valuation is the investment strategy the Trustee proposes to follow as part of the policy for meeting the Scheme's obligations. Because there are no guarantees about investment returns over long periods, legislation requires the Trustee to consider carefully the extent to which it is prudent to recognise expected future investment returns in advance.

On 6 April 2023, the Scheme entered into a longevity swap transaction with Pacific Life Re International Limited and Zurich Assurance Ltd to manage longevity risk in relation to c.£1.6bn of pensioner liabilities. The arrangement provides long term protection to the Scheme against costs resulting from pensioners or their dependants living longer than currently expected, enhancing security for Scheme members and reducing risk for the Bank. The fair value of the hedge instrument at 31 March 2026 is a liability of £11m (2025: liability of £24m).

The latest formal triennial valuation for the Scheme was undertaken as at 30 September 2022 and reported a surplus of £256m (previously a surplus of £144m based on Scheme data and market conditions as at 30 September 2019) and a technical provision funding level of 109% (previously 103%). As the 2022 valuation showed a funding surplus, no deficit recovery plan was required and the Bank has therefore made no additional contributions to the Scheme other than funding its ongoing administrative expenses.

The next triennial valuation will be completed in the year ending 31 March 2027 based on Scheme data and market conditions as at 30 September 2025.

The Bank previously considered the implication for the Scheme of the ruling and appeal in respect of Virgin Media Limited versus NTL Pension Trustees II Limited (and others). The case challenged the validity of rule amendments made to pension schemes contracted out on a Reference Scheme Test basis between 6 April 1997 and 5 April 2016. Legislation enacted in April 2026 now gives affected pension schemes the ability to retrospectively obtain written confirmation that historic benefit changes met the necessary statutory standards. The Bank assessed the possible impact on the Scheme by reviewing a sample of one material amendment from the relevant period. The review did not indicate any specific concerns and therefore no adjustment has been made to the defined benefit obligation value.

3.3 Retirement benefit obligations (continued)

IAS 19 position

The Scheme movements in the period are as follows:

	12 months to 31 March 2026				18 months to 31 March 2025			
	Present value of obligation(1)	**Fair value of plan assets(1)**	**Total(1)**	**Cumulative impact in other comprehensive income(2)**	Present value of obligation	Fair value of plan assets	Total	Cumulative impact in other comprehensive income(2)
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Opening balance sheet surplus	**(2,236)**	**2,593**	**357**		(2,284)	2,796	512	
				(876)				(670)
(Charges)/credits								
Interest (expense)/income	**(125)**	**145**	**20**		(186)	230	44	
Administrative costs	**-**	**(4)**	**(4)**		-	(7)	(7)	
Total (charge)/credit recognised in the SOCI	**(125)**	**141**	**16**		(186)	223	37	
Remeasurements								
Return on Scheme assets less than discount rate	**-**	**(83)**	**(83)**	**(83)**	-	(253)	(253)	(253)
Actuarial:								
Loss - experience adjustments	**(10)**	**-**	**(10)**	**(10)**	(11)	-	(11)	(11)
Gain - demographic assumptions	**2**	**-**	**2**	**2**	1	-	1	1
Gain - financial assumptions	**78**	**-**	**78**	**78**	57	-	57	57
Remeasurement gains/(losses) recognised in other comprehensive income	**70**	**(83)**	**(13)**	**(13)**	47	(253)	(206)	(206)
Contributions and payments								
Employer contributions	**-**	**6**	**6**		-	14	14	
Disbursements	**129**	**(129)**	**-**		187	(187)	-	
	129	**(123)**	**6**		187	(173)	14	
Closing balance sheet surplus	**(2,162)**	**2,528**	**366**		(2,236)	2,593	357	
				(889)				(876)

(1) Included within assets of the disposal group held for distribution (note 3.8).

(2) Included within discontinued operations (note 3.8).

The expected contributions and benefit payments for the year ending 31 March 2027 are £6m (2026: £6m) and £135m (2026: £123m) respectively.

The uncommitted facility of £75m granted by the Bank in 2023 to replace the previous contingent security arrangement remains in place. As at 31 March 2026 the amount drawn under the facility was £Nil (2025: £Nil).

Notes to the financial statements (continued)
Section 3: Assets and liabilities (continued)

3.3 Retirement benefit obligations (continued)

Scheme assets

In order to meet the obligations of the Scheme, the Trustee invests in a diverse portfolio of assets, with the level and volatility of asset returns being a key factor in the overall investment strategy. The investment portfolio is also subject to a range of risks typical of the types of assets held, such as: equity risk; credit risk on bonds; currency risk; interest rate and inflation risk; and exposure to the property market. The Trustee's investment strategy (including physical assets and derivatives) seeks to reduce the Scheme's exposure to these risks. In managing interest rate and inflation risks, the investment strategy seeks to hold portfolios of matching assets (including derivatives) that enable the Scheme's assets to better match movements in the value of liabilities due to changes in interest rates and inflation.

As at 31 March 2026, the interest rate and inflation rate hedge ratios were 93% and 94% respectively (2025: 90% and 90%) of the obligation when measured on a solvency basis. This strategy reflects the Scheme's obligation profile and the Trustee's and the Bank's attitude to risk. The Trustee monitors the investment objectives and asset allocation policy on a regular basis.

The Trustee's investment strategy involves two main categories of investments:

- Matching assets – a range of investments that provide a match to changes in obligation values.
- Return seeking assets – a range of investments designed to provide specific, planned and consistent returns.

The major categories of plan assets for the Scheme, stated at fair value, are as follows:

	2026[(1)]				2025			
	Quoted £m	**Unquoted £m**	**Total £m**	**%**	Quoted £m	Unquoted £m	Total £m	%
Bonds								
Government	**1,445**	**-**	**1,445**		1,366	-	1,366	
Corporate and other	**994**	**-**	**994**		1,065	-	1,065	
	2,439	**-**	**2,439**	**96**	2,431	-	2,431	94
Other								
Private equity investments	**-**	**272**	**272**		-	307	307	
Infrastructure	**-**	**183**	**183**		-	220	220	
Cash	**-**	**88**	**88**		-	118	118	
Derivatives[(2)]	**-**	**9**	**9**		-	23	23	
Repurchase agreements	**-**	**(457)**	**(457)**		-	(511)	(511)	
Property	**-**	**5**	**5**		-	29	29	
Longevity swaps	**-**	**(11)**	**(11)**		-	(24)	(24)	
	-	**89**	**89**	**4**	-	162	162	6
Total Scheme assets	**2,439**	**89**	**2,528**	**100**	2,431	162	2,593	100

(1) Included within assets of the disposal group held for distribution (note 3.8).

(2) Derivative financial instruments are used to modify the profile of the assets of the Scheme to better match the Scheme's liabilities. Derivative holdings may lead to increased or decreased exposures to the physical asset categories disclosed above.

The composition of the Scheme's assets has remained broadly consistent year on year. During the year, sales of the Scheme's direct property investments reduced the value of the portfolio from c.£29m to c.£5m. The final property owned by the Scheme was sold shortly after year end for £5m in line with its year end valuation.

At 31 March 2026, the Scheme had employer-related investments within the meaning of Section 40 (2) of the Pensions Act 1995 totalling £1m (2025: £2m).

3.3 Retirement benefit obligations (continued)

Actuarial assumptions

The following assumptions were used in arriving at the IAS 19 defined benefit obligation:

As at	**2026**	2025
	% p.a.	% p.a.
Financial assumptions		
Discount rate	**6.10**	5.70
Inflation (RPI)	**3.20**	3.05
Inflation (CPI)	**2.60**	2.40
Career average revalued earnings revaluations:		
Pension increases (capped at 5% per annum)	**3.05**	2.95
Rate of increase for pensions in deferment	**2.60**	2.40

	2026	2025
	Years	Years
Demographic assumptions		
Post retirement mortality:		
Current pensioners at 60 - male	**27**	27
Current pensioners at 60 - female	**30**	29
Future pensioners at 60 - male(1)	**29**	29
Future pensioners at 60 - female(1)	**31**	31

(1) The post-retirement mortality assumptions for future pensioners at age 60 are based on a male and female member currently aged 40 (2025: 40).

Critical accounting estimates and judgements

The value of the Bank's defined benefit pension scheme requires management to make several assumptions. The key areas of estimation uncertainty in these assumptions are:

- *Discount rate:* this is set with reference to market yields at the end of the reporting period on high-quality corporate bonds in the currency and with a term consistent with the Scheme's obligations. The average duration of the Scheme's obligations is approximately 12 years. The market for bonds with a similar duration is illiquid and, as a result, significant management judgement is required to determine an appropriate yield curve on which to base the discount rate;
- *Inflation*: this is set with reference to market expectations of the RPI measure of inflation for a term consistent with the Scheme's obligations, based on data published by the BoE. Other measures of inflation (such as CPI, or inflation measures subject to an annual cap) are derived from this assumption; and
- *Mortality*: the cost of the benefits payable by the Scheme will also depend upon the life expectancy of the members. The assumptions for mortality rates are based on standard mortality tables (as adjusted to reflect the characteristics of Scheme members) which allow for future improvements in life expectancies.

The table below sets out the sensitivity and impact on the defined benefit obligation to changes in the key actuarial assumptions. There would be a corresponding impact on the balance sheet surplus position of the Scheme and the pension movement directly in equity:

Assumption change	**Increase in defined benefit obligation £m**
1.0% decrease in discount rate	**271**
0.1% increase in inflation assumption	**14**
1 year increase in life expectancy	**65**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, changes in some of the assumptions may be correlated.

Post-retirement medical benefits scheme

The Bank also provides post-retirement healthcare under a defined benefit scheme for some pensioners and their dependant relatives, for which provision has been made on a basis consistent with the methodology applied to the defined benefit pension scheme. This is a closed scheme and the provision will be utilised over the life of the remaining scheme members. The obligation in respect of this scheme was £1m at 31 March 2026 (2025: £1m), which as at 31 March 2026 is included within the disposal group held for distribution (note 3.8).

3.4 Other assets

As at	**2026**[1] **£m**	2025 £m
Finance sub-leases	**3**	2
Investment in controlled entities (note 3.9)	**-**	65
Other receivables	**39**	60
Other	**8**	10
	50	137

(1) Included within assets of the disposal group held for distribution (note 3.8).

Other receivables include financial assets which are measured at amortised cost.

3.5 Other liabilities

As at	**2026 £m**	2025 £m
Notes in circulation	**1,231**	1,429
Other	**-**	234
	1,231	1,663
Liabilities of the disposal group held for distribution (note 3.8)	**215**	-
	1,446	1,663

Other liabilities include financial liabilities which are measured at amortised cost.

3.6 Lessee accounting

Right-of-use assets

	12 months to 31 Mar 2026 £m	18 months to 31 Mar 2025 £m
Opening balance	**132**	153
Additions	**2**	2
Remeasurements	**(1)**	-
Depreciation and impairment	**(104)**	(23)
Closing balance[1]	**29**	132
Of which:		
Property, plant and equipment[1]	**-**	102
Investment property[1]	**29**	30

(1) The balances as at 31 March 2026 are included within assets of the disposal group held for distribution (note 3.8).

An impairment charge of £94m has been recognised in the year (18 months to 31 March 2025: £6m). This includes £1m (18 months to 31 March 2025: £6m) relating to the annual impairment review of right-of-use assets (recognised within operating and administrative expenses) and £93m (18 months to 31 March 2025: £Nil) relating to the impairment of the disposal group assets (recognised directly in equity as it arises due to the Part VII transfer) (note 3.8). The impairment charge is included in discontinued operations.

3.6 Lessee accounting (continued)

Sub-leases

Future undiscounted minimum payments receivable in respect of sub-leased assets were as follows:

As at	2026 £m	2025 £m
Finance leases	**3**	2
	3	2

Lease liabilities

As at	2026[(1)] £m	2025 £m
Lease liabilities[(1)]	**151**	160

(1) Lease liabilities are presented within other liabilities within the disposal group held for distribution (note 3.8).

Leased investment property

Following an independent valuation of investment property during the year, a £1m remeasurement charge was recognised within other operating income (18 months to 31 March 2025: £2m charge) within discontinued operations.

3.7 Provisions for liabilities and charges

	Employee related costs provision £m	Customer related provision £m	Property provision £m	Off-balance sheet ECL provisions[(1)] £m	Total £m
As at 1 October 2023	8	10	46	5	69
Charge/(credit) to the SOCI	15	2	2	(1)	18
Utilised	(15)	(4)	(30)	-	(49)
As at 31 March 2025	8	8	18	4	38
Charge/(credit) to the SOCI	**5**	**23**	**4**	**(1)**	**31**
Utilised	**(7)**	**(16)**	**(2)**	**-**	**(25)**
Transfer to disposal group (note 3.8)	**(6)**	**(15)**	**(20)**	**(3)**	**(44)**
As at 31 March 2026	**-**	**-**	**-**	**-**	**-**

(1) The Bank's ECL accounting policy can be found in note 3.1.1.

Employee related costs provision

This includes provision for staff redundancies and for NIC on equity-based compensation. During the year, the net provisions charge of £5m (18 months to 31 March 2025: £15m) comprises £10m raised for staff redundancy costs, offset by a £5m reclassification of NIC on equity-based compensation to accruals and deferred income.

Customer related provision

This relates to customer matters, legal proceedings, and claims arising in the ordinary course of the Bank's business.

Consideration of these matters may result in a provision, a contingent liability or both, depending upon relevant facts and circumstances. No provision is made where it is concluded that it is not probable that a quantifiable payment will be made; this will include circumstances where the facts are unclear or further time is required to reasonably quantify the expected cost. Provisions are based upon detailed reviews completed to date and represent the Bank's best estimate of the liability.

Following consideration of developments during the year, an additional £23m was recognised (18 months to 31 March 2025: £2m). This includes amounts relating to the Bank's investigation into some legacy data quality matters. The provision has been based on reviews performed to date; as additional work is undertaken, it is possible that the ultimate liability may be higher or lower than the total provision amount provided. An estimate of the potential impact of any contingent liabilities associated with ongoing investigations has not been provided as it is not practicable to do so.

Property provision

This includes costs for branch and office closures under the surplus lease provision and dilapidations costs under the dilapidation provision. During the period, provisions of £4m (18 months to 31 March 2025: £2m) were raised.

The Bank is also subject to enquiries from, and discussions with, its regulators and other government bodies, including tax authorities, on a range of matters, and may be engaged in legal proceedings in the ordinary course of business.

3.8 Assets and liabilities of the disposal group held for distribution and discontinued operations

Accounting policy

IFRS 5 Non-current assets (or disposal groups) held for distribution

IFRS 5 requires a non-current asset (or disposal group) to be classified as held for distribution to owners when there is a commitment to distribute the asset (or disposal group) to the owners. To achieve this, the asset must be available for immediate distribution in its present condition and the sale or transfer must be highly probable. Assets (or disposal groups) that meet the criteria to be classified as held for distribution are presented separately in the balance sheet with no requirement to re-present prior periods.

Immediately before the initial classification of an asset (or disposal group) as held for distribution, the carrying amounts of all assets are remeasured in accordance with applicable IFRS. Following classification as held-for distribution, non-current assets (or disposal groups) are measured at the lower of carrying amount and fair value less costs to distribute (FVLCD). In determining the recognition of any disposal group impairment, the Bank has made an accounting policy choice to restrict impairment recognition to non-current assets within the measurement scope of IFRS 5. Assets and liabilities within the disposal group that are not within the scope of the measurement requirements of IFRS 5 continue to be measured in accordance with the applicable IFRS.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for distribution.

IFRS 5 discontinued operations

A discontinued operation is a component of an entity which is classified as held for distribution in accordance with IFRS 5 and is part of a single co-ordinated plan to dispose of a separate major line of business. Discontinued operations are disclosed separately from continuing operations in the SOCI. Disclosures for prior periods in the financial statements are re-presented in the SOCI as either continuing or discontinued.

Notes to the financial statements (continued)
Section 3: Assets and liabilities (continued)

3.8 Assets and liabilities of the disposal group held for distribution and discontinued operations (continued)

On 23 February 2026, Court approval was given for the majority of the assets and liabilities of the Bank to be transferred to Nationwide Building Society as part of a banking business transfer scheme under Part VII of the Financial Services and Markets Act 2000. As the transfer did not legally complete until after the balance sheet date, the transferring business and related assets and liabilities are classified as a disposal group held for distribution on the balance sheet at 31 March 2026 and as a discontinued operation in the SOCI for the year then ended.

The following table presents a breakdown of the assets and liabilities of the disposal group:

As at	**Note**	**2026 £m**
Assets of the disposal group		
Financial instruments	3.1	
At amortised cost	3.1.1	
Loans and advances to customers	3.1.1.1	**69,060**
Fair value adjustment for portfolio hedged risk		**(185)**
Cash and balances with central banks	3.1.1.2	**14,900**
Due from other banks and similar institutions		**528**
At FVOCI	3.1.2	**3,835**
At FVTPL	3.1.3	
Loans and advances to customers		**37**
Derivatives	3.1.3.1	**13**
Other		**2**
Due from related entities		**614**
Property, plant and equipment		**32**
Accrued income and prepaid expenses		**83**
Deferred tax	2.3	**406**
Current tax		**21**
Defined benefit pension assets	3.3	**366**
Other assets	3.4	**50**
Total assets of the disposal group		**89,762**
Liabilities of the disposal group		
Financial instruments	3.1	
At amortised cost	3.1.1	
Customer deposits	3.1.1.3	**72,711**
Debt securities in issue	3.1.1.4	**3,749**
Due to other banks and similar institutions	3.1.1.5	**975**
At FVTPL	3.1.3	
Derivatives	3.1.3.1	**33**
Deferred tax	2.3	**91**
Due to related entities		**6,224**
Provisions for liabilities and charges	3.7	**44**
Accruals and deferred income		**165**
Other liabilities	3.5	**215**
Total liabilities of the disposal group		**84,207**

Following classification as held for distribution and as required by IFRS 5, the carrying value of the disposal group was compared to the fair value less costs to distribute. The fair value less costs to distribute was estimated by comparison to peer price to tangible book value multiples. Judgement has been applied in selecting comparable market multiples and determining the resulting valuation of the disposal group. Key considerations included the comparability of cost of capital and forecast returns.

This valuation exercise indicated an impairment of £208m which, in line with the measurement requirements of IFRS 5, has been applied to property, plant and equipment (£141m charge, reducing asset value to £32m), intangible assets and goodwill (£40m charge, reducing asset value to £Nil), and investment in controlled entities (£27m charge, reducing asset value to £Nil). The impairment charge has been recognised directly in equity as it arises due to the Part VII transfer, which will also be recognised in equity (note 5.5).

The Part VII transfer completed on 2 April 2026 resulting in the transfer of the disposal group assets and liabilities in exchange for £140m cash consideration. Accordingly, there is no potential for further adjustments to the carrying amounts of disposal group assets and liabilities in future periods.

3.8 Assets and liabilities of the disposal group held for distribution and discontinued operations (continued)

The tables below show the Bank's discontinued operations arising due to the Part VII transfer, as included in the financial statements for the period:

Discontinued operations - statement of comprehensive income

For the period	Note	**12 months to 31 Mar 2026 £m**	18 months to 31 Mar 2025 £m
Profit for the period from discontinued operations		**138**	129
Items that may be reclassified to the discontinued operations SOCI			
Change in cash flow hedge reserve (net of tax)	4.1.3	**(109)**	(327)
Change in FVOCI reserve (net of tax)	4.1.3	**5**	(29)
Change in other hedging reserve (net of tax)		**1**	(1)
Total items that may be reclassified to the discontinued operations SOCI		**(103)**	(357)
Items that will not be reclassified to the discontinued operations SOCI			
Change in defined benefit pension plan (net of tax)		**(10)**	(133)
Total items that will not be reclassified to the discontinued operations SOCI		**(10)**	(133)
Other comprehensive losses from discontinued operations, net of tax		**(113)**	(490)
Total comprehensive profit/(losses) from discontinued operations for the period, net of tax		**25**	(361)

Discontinued operations – full time equivalent (FTE) employees

The average number of FTE employees of the Bank during the period was made up as follows:

	12 months to 31 Mar 2026 Number	18 months to 31 Mar 2025 Number
Managers[1]	**4,077**	3,648
Clerical staff	**3,925**	3,657
	8,002	7,305

(1) Includes a combination of managers with and without staff responsibilities.

The average monthly number of employees was 8,907 (18 months to 31 March 2025: 8,157). All staff are contracted employees of the Bank. The average figures above do not include contractors.

Discontinued operations – staff costs

	12 months to 31 Mar 2026 £m	18 months to 31 Mar 2025 £m
Wages and salaries	**368**	492
Bonuses	**46**	95
Social security costs	**58**	72
Pension costs	**75**	103
Other staff costs	**68**	75
	615	837

3.8 Assets and liabilities of the disposal group held for distribution and discontinued operations (continued)

Discontinued operations – Auditor's remuneration

Fees in relation to the statutory audit of the Bank are disclosed within continuing operations as shown in note 2.2, reflecting the ongoing requirement for a statutory audit of the entity.

Auditor's remuneration included within other operating and administrative expenses included the following fees payable in respect of discontinued operations:

	12 months to 31 Mar 2026	18 months to 31 Mar 2025
	£'000	£'000
Audit-related assurance services	**179**	952
Other assurance services	**-**	92
Total non-audit fees	**179**	1,044
Fees payable to the Bank's auditor in respect of associated pension schemes (cost borne and paid by the pension scheme)	**131**	181
Total fees payable to the Bank's auditor	**310**	1,225

Non-audit fees of £179k (18 months to 31 March 2025: £1,044k) were paid to the auditor. The services provided in the current year included PRA Written Auditor Reporting, client money reviews and profit attestations.

3.9 Investment in controlled entities

Accounting policy

The Bank's investments in controlled entities are valued at cost or valuation less any provision for impairment. Such investments are reviewed annually for potential evidence of impairment, or more frequently when there are indications that impairment may have occurred. Losses relating to impairment in the value of shares in controlled entities are recognised in the SOCI.

	31 Mar 2026	31 Mar 2025
	£m	£m
At period end	**-**	65

Following receipt of all regulatory approvals, the disposal of the Bank's £38m wholly owned investment in Virgin Money Unit Trust Managers Limited was completed on 30 November 2025. The Bank recognised a gain on sale of £0.3m in other operating income, within discontinued operations.

Details of the £27m investments in controlled entities impairment can be found in note 3.8.

The table below represents the Bank's wholly-owned subsidiary undertakings as at 31 March 2026. All subsidiaries were subsequently transferred to Nationwide Building Society on 2 April 2026. All entities have a 31 March accounting reference date.

Wholly-owned subsidiary undertakings	Nature of business	Class of share held	Proportion held	Country of incorporation	Registered office
Direct holdings					
CGF No. 9 Limited(1)	Leasing	Ordinary	100%	Scotland	177 Bothwell Street, Glasgow, G2 7ER
Clydesdale Bank Asset Finance Limited(1)	Non-trading company	Ordinary	100%	Scotland	177 Bothwell Street, Glasgow, G2 7ER
CYB Intermediaries Limited	Insurance intermediary	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
St Vincent (Equities) Limited(1)	Investment company	Ordinary	100%	Scotland	177 Bothwell Street, Glasgow, G2 7ER
Virgin Money Holdings (UK) Limited(1)	Intermediate holding company	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
Yorkshire Bank Home Loans Limited	Mortgage finance	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
C.B. Nominees Limited	Dormant	Limited by guarantee	100%	Scotland	177 Bothwell Street, Glasgow, G2 7ER
CYB SSP Trustee Limited	Dormant	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
Yorkshire Bank Limited	Dormant	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
Indirect holdings					
Virgin Money Limited(1)	Non-trading company	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
Virgin Money Personal Financial Service Limited(1)	Non-trading company	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
Virgin Money Giving Limited	Dormant	Ordinary	100%	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL

(1) For the year ended 31 March 2026, advantage has been taken of the audit exemption available under Section 479A of the Companies Act 2006. Nationwide Building Society guarantees all outstanding liabilities of the exempted subsidiary undertakings.

Interest in charitable foundations

The Bank has an interest in The Virgin Money Foundation, a charitable foundation registered in England as a company limited by guarantee. The Bank acts as a guarantor for £1 and is also a donor. The Bank's interest in The Virgin Money Foundation was transferred to Nationwide Building Society on 2 April 2026.

Notes to the financial statements (continued)
Section 3: Assets and liabilities (continued)

3.9 Investment in controlled entities (continued)

The Bank also has an interest in a number of structured entities. All entities have a 31 March accounting reference date:

Other controlled entities as at 31 March 2026[1]	Nature of business	Country of incorporation	Registered office
Eagle Place Covered Bonds LLP	Acquisition of mortgage loans	England	Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL
Lanark Funding Limited	Funding company	England	Suite 2, Seventh Floor, 50 Broadway, London, SW1H 0DB
Lanark Master Issuer PLC	Issuer of securitised notes	England	Suite 2, Seventh Floor, 50 Broadway, London, SW1H 0DB
Lanark Holdings Limited	Dormant	England	Suite 2, Seventh Floor, 50 Broadway, London, SW1H 0DB
Lanark Trustees Limited	Dormant	England	Suite 2, Seventh Floor, 50 Broadway, London, SW1H 0DB
Lannraig Funding Limited (in liquidation)	Funding company	England	18a Capricorn Centre Cranes Farm Road, Basildon, Essex, SS14 3JJ
Lannraig Holdings Limited (under strike off)	Holding company	England	5 Churchill Place, 10th Floor, London, United Kingdom, United Kingdom, E14 5HU
Lannraig Master Issuer PLC (in liquidation)	Issuer of securitised notes	England	18a Capricorn Centre Cranes Farm Road, Basildon, Essex, SS14 3JJ

(1) Other controlled entities were transferred to Nationwide Building Society on 2 April 2026.

Details of the Bank's interests associated with covered bond arrangements are set out in note 3.1.5.

The Bank also has a participating interest in the following undertaking as an associate:

Name of undertaking	% of share class held	Registered office address and principal place of business	Financial year end
Eagle Place Covered Bonds Finance Limited[1]	20%	5 Churchill Place, 10th Floor, London, United Kingdom, United Kingdom, E14 5HU	31 December

(1) A dormant company within the Bank’s covered bond programme and was transferred to Nationwide Building Society on 2 April 2026.

The Bank sold it’s 50% interest in Salary Finance Loans Limited during the year to the other JV partner, Salary Finance Limited, for a nominal amount (note 5.3).

Section 4: Capital

4.1 Equity

4.1.1 Share capital and share premium

As at	2026	2025
	£m	£m
Share capital	**1,293**	1,280
Share premium	**1,035**	763
Share capital and share premium	**2,328**	2,043

	2026 Number of shares	2026 £m
Ordinary shares of £0.10 each – authorised, allotted, called up and fully paid		
Opening ordinary share capital	**12,798,510,686**	**1,280**
Issued to immediate parent	**130,733,945**	**13**
Closing ordinary share capital	**12,929,244,631**	**1,293**

The holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. All shares in issue at 31 March 2026 rank equally with regard to the Bank's residual assets.

Ordinary share issuance

On 25 June 2025 the Bank issued 39m ordinary shares to Virgin Money for cash consideration of £85m (allocated as share capital of £4m and share premium of £81m). Subsequently on 21 August 2025, the Bank issued 92m ordinary shares to Virgin Money for cash consideration of £200m (allocated as share capital of £9m and share premium of £191m).

Share premium represents the aggregate of all amounts that have ever been paid above par value to the Bank when it has issued ordinary shares.

A description of the other equity categories included within the statements of changes in equity, and significant movements during the year, is provided below.

Dividends

No dividends were paid in the current year (18 months to 31 March 2025: £177m).

4.1.2 Other equity instruments

Other equity instruments comprise AT1 capital which consists of the following Perpetual Contingent Convertible Notes issued to Virgin Money:

	Issuance date	Next reset date	Reset rate	2026 £m	2025 £m
8.25% AT1	17 June 2022	8 December 2027	Benchmark gilts + 6.357%	**10**	350
11.00% AT1	8 December 2023	8 June 2029	Benchmark gilts + 6.993%	**170**	350
SONIA + 3.99% AT1	11 June 2025	n/a	SONIA + 3.99%	**520**	-
				700	700
Issuance costs				**(2)**	(7)
				698	693

The issuances are treated as equity instruments in accordance with IAS 32 'Financial instruments: presentation' with the proceeds included in equity, net of transaction costs, which is the difference between the nominal and carrying values.

AT1 distributions of £77m were paid in the year (18 months ended 31 March 2025: £100m).

4.1 Equity (continued)

4.1.3 Other reserves

FVOCI reserve

The FVOCI reserve records the unrealised gains and losses arising from changes in the fair value of financial assets at FVOCI.

Cash flow hedge reserve

The cash flow hedge reserve represents the effective portion of cumulative post-tax gains and losses on derivatives designated as cash flow hedging instruments that will be recycled to the SOCI when the hedged items affect profit or loss.

As at	**2026**	2025
	£m	£m
Opening reserve	**170**	497
Amounts recognised in other comprehensive income:		
Cash flow hedge – interest rate risk		
Effective portion of changes in fair value of interest rate swaps	**(105)**	(368)
Amounts transferred to the SOCI	**(43)**	(85)
Taxation	**39**	126
Closing reserve	**61**	170

Other hedging reserve

Under IFRS 9, the Bank has chosen to exclude currency basis spreads from hedge designation and instead report the change in fair value of these spreads directly within this reserve. The value of this reserve at 31 March 2026 was £nil (2025: £1m cumulative loss).

Notes to the financial statements (continued)
Section 5: Other notes

5.1 Contingent liabilities and commitments

Accounting policy

Financial guarantees

The Bank provides guarantees in the normal course of business on behalf of its customers. Guarantees written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party and are primarily issued to support direct financial obligations such as commercial bills or other debt instruments issued by a counterparty. The rating of the Bank as a guarantee provider enhances the marketability of the paper issued by the counterparty in these circumstances.

The ECL requirements as described in note 3.1.1 apply to loan commitments and financial guarantee contracts, with the ECL allowance held as part of the provisions for liabilities and charges balance (note 3.7).

The table below sets out the amounts of financial guarantees and commitments which are not recorded on the balance sheet. Financial guarantees and commitments are credit-related instruments which include, letters of credit, guarantees and commitments to extend credit. The amounts do not represent the amounts at risk at the balance sheet date but the amounts that would be at risk should the contracts be fully drawn upon and the customer default. Since a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of the contract amounts is not representative of future liquidity requirements.

As at	**2026**(1) **£m**	2025 £m
Financial guarantees		
Guarantees:		
Due in less than 3 months	**7**	12
Due between 3 months and 1 year	**25**	33
Due between 1 year and 3 years	**10**	15
Due between 3 years and 5 years	**6**	2
Due after 5 years	**36**	38
	84	100
Other credit commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend at call	**19,816**	18,980

(1) Relating to the disposal group held for distribution (note 3.8).

Capital commitments

The Bank had future capital expenditure which had been contracted for, but not provided for, at 31 March 2026 of £2m (2025: £1m).

Other contingent liabilities

During the ordinary course of business, the Bank may be subject to complaints, disputes and threatened or actual legal proceedings brought by or on behalf of current or former employees, customers, investors or other third parties. The Bank may also be subject to legal and regulatory reviews, challenges, investigations and enforcement actions which may result in, among other things, actions being taken by governmental, tax and regulatory authorities, increased costs being incurred in relation to remediation of systems and controls, or fines. Any such material cases are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of incurring a liability and any ability to recover any losses in future periods. Any existing contingent liabilities for such matters relate to the disposal group held for distribution.

For further information on the approach for contingent liabilities associated with customer-related provisions, see note 3.7.

There are no other current complaints, disputes, threatened or actual legal proceedings, regulatory or other matters, the resolution of which are expected to have a material adverse impact on its financial position. However, in light of the uncertainties involved in such matters there can be no assurance that the outcome of a particular matter or matters may not ultimately be material to the Bank's results.

5.2 Equity based compensation

For the 12 months to 31 March 2026, the equity settled share-based payment expense is £Nil (18 months to 31 March 2025: £11m) and the cash settled share-based payment expense is £2m (18 months to 31 March 2025: £10m); both are recognised within discontinued operations.

During the year ended 31 March 2026, following changes to PRA regulations for the minimum deferral period to be applied to remuneration for Material Risk Takers, the Remuneration Committee reduced the deferral period of some of the Bank's existing awards retrospectively. This was applied retrospectively and has resulted in some accelerated recognition of the remuneration expense in the period.

Cash settled share-based payments

The table below shows the cash settled awards that existed during the year:

Plan	Date of award	Method of settlement	Vesting conditions
Annual Performance Pay Deferral (APPD) plan	July 2025	Cash payment linked to value of Nationwide CCDS	Continuing employment or leaving in certain limited circumstances
Long Term Incentive Replacement Awards (LITRA)	December 2024	Cash payment linked to value of Nationwide CCDS	Continuing employment or leaving in certain limited circumstances
Long Term Performance Pay (LTPP) plan	December 2024, July 2025	Cash payment linked to value of Nationwide CCDS	Continuing employment or leaving in certain limited circumstances and achievement of performance conditions

The carrying value of the share-based payment liability for cash settled share-based payment awards at 31 March 2026 is £3m (2025: £Nil) for awards subject to vesting conditions and £1m (2025: £18m) for awards that are not subject to vesting conditions but remain subject to deferral requirements.

5.3 Related party transactions

The Bank undertakes activity with structured entities which are considered to be related parties:

Amounts due from Bank structured entities	**2026 £m**	2025 £m
Loans and advances	**-**	17
Other receivables	**1**	57
Total amounts due from Bank structured entities	**1**	74

	12 months to 31 Mar 2026 £m	18 months to 31 Mar 2025 £m
Interest income on the above amounts was as follows:		
Interest income	**13**	24

Amounts due to Bank structured entities

	2026 £m	2025 £m
Deposits	**1,037**	359
Other payables	**773**	1,631
Total amounts due to Bank structured entities	**1,810**	1,990

	12 months to 31 Mar 2026 £m	18 months to 31 Mar 2025 £m
Interest expense on the above amounts was as follows:		
Interest expense	**156**	277

5.3 Related party transactions (continued)

Subordinated debt due to related entities

	2026	2025
	£m	£m
Subordinated debt	**792**	754

Subordinated debt comprises dated, unsecured loan capital and is issued to Nationwide Building Society (2025: Virgin Money UK PLC). These debts will, in the event of the winding-up of the issuer, be subordinated to the claims of the depositors and all other creditors of the issuer, other than creditors whose claims rank junior to the claims of the holders of the subordinated liabilities. The amounts received are employed in the general business of the Group. Subordinated debt due to related entities is included within liabilities of the disposal group held for distribution.

Yorkshire and Clydesdale Bank Pension Scheme

The Bank provides banking services to the Scheme, with customer deposits of £11m at 31 March 2026 (2025: £12m). Pension contributions of £6m were made to the Scheme in the year (18 months to 31 March 2025: £13m).

The Bank granted a £75m uncommitted liquidity facility to the Scheme as an additional contingency against future short-term liquidity challenges resulting from unexpected market turbulence. There is also a £7m BACS facility held for the Scheme in relation to payments to the Scheme's members (2025: £7m). As at 31 March 2026, the amount drawn under both facilities was £Nil (2025: £Nil).

Salary Finance Loans Limited

During the year, the Bank sold its interest in the Salary Finance JV to the other JV partner, Salary Finance Limited, for a nominal amount (2025: investment valued at £Nil); no gain or loss was recognised on the sale. Both the revolving credit facility funding line provided by the Bank to Salary Finance Limited and the deposits held by the JV were repaid in the year. The exit also resulted in a £45m reduction in Stage 3 provisions, comprising a £23m write off and a provision release of £22m within the consumer lending portfolio. There were no balances outstanding or ECL allowance held in respect of the JV arrangement at 31 March 2026 (2025: £211m drawn facility, £39m undrawn facility, £45m of ECL (classed as Stage 3), and £12m of deposits).

The Bank recognised £7m of interest income in the SOCI in the year (18 months to 31 March 2025: £22m), which is reflected within discontinued operations (note 3.8). No share of JV profits or losses was recognised in either the current year or prior period.

Directors' remuneration

The Bank paid remuneration of £4m to Directors in the year (18 months to 31 March 2025: £8m). Included within this are payments in lieu of notice receivable by Directors in the next 12 months of £0.7m (18 months to 31 March 2025: £0.6m) and a £9k payment for loss of office (18 months to 31 March 2025: £10k).

In the current year, remuneration of £10m was also paid by Nationwide to certain Directors in respect of qualifying services to the Group. £0.2m was paid by Nationwide to two Directors in the prior period, in relation to qualifying services provided to the Group from the date of Virgin Money UK PLC's acquisition by Nationwide on 1 October 2024 to 31 March 2025.

One of the Directors was a member of the Bank's defined contribution scheme during the year, for which the Bank made contributions of £8k (18 months to 31 March 2025: none). No Directors are members of the Bank's defined benefit pension scheme. None of the Directors hold share options and therefore no share options were exercised during the period (18 months to 31 March 2025: Nil).

Highest paid Director

The highest paid Director received aggregate remuneration of £2m in the year (18 months to 31 March 2025: £4m). Aggregate remuneration includes amounts paid for the period to 31 March 2026 and amounts received or receivable. This includes a PILON payment of £0.5m receivable in FY27 (18 months to 31 March 2025: £0.6m). The highest paid Director does not hold any share options.

5.3 Related party transactions (continued)

Transactions with Key Management Personnel (KMP)

From 1 September 2025, the Bank's KMP are considered to be the Group Executive Committee and the Non-Executive Directors, as defined by IAS 24 'Related Party Disclosures'. Prior to 1 September 2025, KMP comprised Directors of the Bank and members of its Executive Committee. KMP, their close family members and any entities controlled or significantly influenced by the KMP have undertaken the following transactions with the Bank in the normal course of business. The transactions were made on the same terms and conditions as applicable to other Bank employees, or on normal commercial terms.

Transactions with KMP

As at	**2026** **£m**	2025 £m
Loans and advances	**-**	1
Deposits	**4**	-

No provisions have been recognised in respect of loans provided to KMP (2025: £Nil). There were no debts written off or forgiven during the year (18 months to 31 March 2025: £Nil). Included in the above are two (2025: one) loans totalling £0.1m (2025: £0.5m) made to Directors. In addition to the above, there were no guarantees made to Directors and their related parties in either the current or prior period.

5.4 Segment information

At 31 March 2025, the Bank's Executive Committee was responsible for allocating resources and assessing the performance of the business and was therefore identified as the chief operating decision maker.

Subsequently, the Bank's Executive Committee was replaced by the Group Executive Committee (Group ExCo), which now fulfils the role of chief operating decision maker. Performance is reviewed and strategic decisions are made based on the Group as a whole. Accordingly, the Bank continues to have a single reportable segment.

As the Bank's operations are almost entirely based in the United Kingdom, no geographical segmental analysis is provided.

5.5 Post-balance sheet events

On 2 April 2026, the majority of the assets and liabilities of the Bank were transferred to Nationwide Building Society as part of a banking business transfer scheme under Part VII for a cash consideration of £140m. Part VII is a non-adjusting post balance sheet event. Refer to note 3.8 for the disposal group assets and liabilities that were transferred. In addition, the Bank's AT1 equity instruments of £698m (note 4.1.2) were also transferred to Nationwide Building Society under Part VII. The difference between the consideration received and the book value of the combined net assets and equity balances derecognised of £4.8bn has been treated as a reduction in retained earnings, as it is considered, in substance, to be analogous to a distribution to the Bank's ultimate parent, Nationwide Building Society.

Included within 'other reserves' (note 4.1.3) are hedging reserves and the FVOCI reserve. Movements on these arising as a consequence of the Part VII transfer have been recognised in retained earnings[(1)] along with the loss on Part VII transfer. The 'other reserves' balance reclassified to retained earnings at the Part VII date was £52.4m.

There have been no other significant events between 31 March 2026 and the date of approval of the Annual Report and Accounts which would require a change to or additional disclosure in the financial statements.

(1) These movements are typically included within the income statement but are instead being reflected in retained earnings to provide symmetrical treatment to the related balances which are included as part of the loss on the Part VII transfer.

Measuring financial performance - glossary

As highlighted in the Strategic report and the Risk report, the Bank utilises a range of asset quality and regulatory ratios to assess the Bank's performance. Descriptions of the ratios are set out below:

Asset quality:

Term	**Definition**
Impairment charge to average customer loans **(cost of risk)**	Impairment losses on credit exposures to average customer loans (defined as loans and advances to customers, other financial assets at fair value and due from customers on acceptances).
Loans in Stage 2	Stage 2 loans as a percentage of total gross loans and advances.
Loans in Stage 3	Stage 3 loans as a percentage of total gross loans and advances.
Total book coverage	Total impairment provision on credit exposures as a percentage of total gross loans and advances.
Stage 2 coverage	Stage 2 impairment provisions as a percentage of Stage 2 gross loans and advances.
Stage 3 coverage	Stage 3 impairment provisions as a percentage of Stage 3 gross loans and advances.

Regulatory ratios:

Term	**Definition**
Common Equity Tier 1 **(CET1)** ratio	CET1 capital divided by RWAs at a given date.
Tier 1 ratio	Tier 1 capital as a percentage of RWAs.
Total capital ratio	Total capital resources divided by RWAs at a given date.
UK leverage ratio	The Bank's leverage ratio on a modified basis, excluding qualifying central bank claims from the exposure measure in accordance with the policy statement issued by the PRA in October 2017.
Liquidity coverage ratio **(LCR)**	A measure of the surplus (or deficit) of the Bank's high-quality liquid assets relative to weighted net stressed cash outflows over a 30 day period. It assesses whether the Bank has sufficient liquid assets to withstand a short-term liquidity stress based on cash outflow assumptions provided by regulators.
Minimum requirement for own funds and eligible liabilities **(MREL)** ratio	Total capital resources less ineligible AT1 and Tier 2 instruments at the period end plus senior unsecured securities issued with greater than one year to maturity at the period end, divided by RWAs at the period end.
Net stable funding ratio **(NSFR)**	The total amount of available stable funding divided by the total amount of required stable funding, expressed as a percentage. The Bank monitors the NSFR based on its own interpretations of current guidance available for CRD V NSFR reporting. Therefore, the reported NSFR may change over time with regulatory developments. Due to possible differences in interpretation of the rules, the Bank's ratio may not be directly comparable with those of other financial institutions.